



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**San Bernardino County
California**

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Bernardino County, California** for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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COUNTY OF SAN BERNARDINO BOARD OF SUPERVISORS



Brad Mitzelfelt
1st District



Paul Biane
Chairman
2nd District



Dennis Hansberger
3rd District



Gary Ovitt
Vice-Chairman
4th District



Josie Gonzales
5th District

County Administrative Officer
Mark Uffer

COUNTY MISSION STATEMENT

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the health, safety, well being, and quality of life of its residents according to the County Charter, general laws, and the will of the people it serves.

The County's final budget for 2007-08 was adopted on June 26, 2007. As has been the case in past years, the budget stands as a fiscally sound spending plan, provides for the operational needs of County departments, and preserves the current level of service while addressing the County's growth. The 2007-08 final budget continues to focus County resources on public safety, capital improvements (including new construction and alleviating the maintenance backlog on County buildings), economic development, and planning for the future by setting aside ongoing financing.

THE BUDGET IN BRIEF

The County produces two budget books. This budget book represents the General Fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds. Additionally, there is a budget book for Board Governed Special Districts. The total appropriation for the County and Board Governed Special Districts in 2007-08 is \$3.7 billion and \$0.5 billion, respectively for a combined total of \$4.2 billion.

The General Fund appropriation, including restricted financing of Prop 172 and Realignment, totals \$2.4 billion and is funded by countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.4 billion, the Board of Supervisors has discretion over \$650.0 million.

When the 2007-08 final budget was adopted, there was \$57.2 million in general purpose reserves and \$181.7 million in specific purpose reserves, including the 2007-08 ongoing set-asides established to fund the annual costs for the county's future space needs (\$20.0 million), retirement costs (\$7.9 million), and jail expansion due to the growing population (\$7.0 million). Per County Policy unspent ongoing set-asides at the end of the fiscal year will be transferred to the corresponding specific purpose reserve.

2007-08 HIGHLIGHTS

Health

The County will have its first full year in 2007-08 with the Mental Health Services Act programs being fully operational providing ongoing services in the amount of \$26.6 million and \$11.7 million in start-up costs. This funding has enabled the County to build a system of care and treatment that will efficiently and effectively serve all clients, especially the homeless, the incarcerated and racial and ethnic communities.

Safety

The State has authorized 150 new judgeships in increments of 50 over a three-year period. The first year that this will impact the County is 2007-08. San Bernardino County received five new judgeships in June 2007, of which four are criminal judges. Additional staffing totaling \$5.2 million was included in the District Attorney, Public Defender and Probation budgets to address the workload from these new criminal judges.

In addition, the Sheriff's Department will begin the first phase in remodeling and expanding the Barstow Station totaling \$2.9 million due to the high population growth in that area. Also, an additional Crime Impact Team costing \$1.2 million was added to handle specialized operations such as gang activity and other violent crimes.

Well-Being

Human Services programs increased a net \$8.7 million which includes a \$5.0 million increase to Aid to Adoptive Children to provide additional assistance to adoptive parents and a \$2.4 million increase to the Kin-Gap Program for a new specialized care increment allowance and increased clothing allowance for children.

Quality of Life

In 2007-08, Regional Parks' budget increased by \$1.6 million primarily to enhance the County's existing park facilities and to develop a Healthy Parks Program.

One new branch library in Mentone and three expanded branch libraries located in Highland, Fontana, and Loma Linda are expected to open in 2007-08. These libraries will add 100,000 square feet of additional space for County Library customers.



CHALLENGES IN FISCAL YEAR 2007-08 AND BEYOND

As the population of the County continues to increase, the needs of the County continue to grow. The following are among the County financing issues on the horizon:

Jail Expansion: The County has a severe jail crowding problem. As a result, the bail limit has increased and inmates are being cite released to remain in compliance with a court order to reduce jail overcrowding. In addition, an average of 150 sentenced inmates are consistently being held in the County pending transport to the state. To make matters worse, there is the potential for a cap on the state prison population whereby more than 2,500 convicted felons could be released early in San Bernardino County, and additional violators would adversely affect County jails. The Sheriff's Department has identified a need to add 3,200 beds by 2010 for a total of approximately 10,000 beds. To begin to address the shortage of jail beds, the Board of Supervisors has approved the expansion of the Adelanto Detention Center in 2006-07 to add 912 beds by 2010. Also the County has approved the funding for a design of the Adelanto Detention Center to add an additional 456 beds. In addition, the County is looking into additional construction of new beds in current or new facilities. In 2004-05, the County established an ongoing set-aside of \$7.0 million to assist in financing these jail expansion needs. This annual set-aside, net of expenditures incurred for design costs, is projected to have an estimated reserve balance of \$23.4 million at the end of 2007-08.

Building Needs: The County encompasses more than 20,000 square miles and the decentralization of facilities is required to serve the needs of each community. The County owns facilities in each region, but expansion space is very limited. New short-term space needs have been addressed through the leasing of space, however, several areas support the development or expansion of government centers due to a critical mass of services being provided in those areas. In 2006-07, the County established an ongoing set-aside of \$20.0 million to finance these building needs. This annual set-aside, net of expenditures incurred for design costs, is projected to have an estimated reserve balance of \$39.6 million at the end of 2007-08.

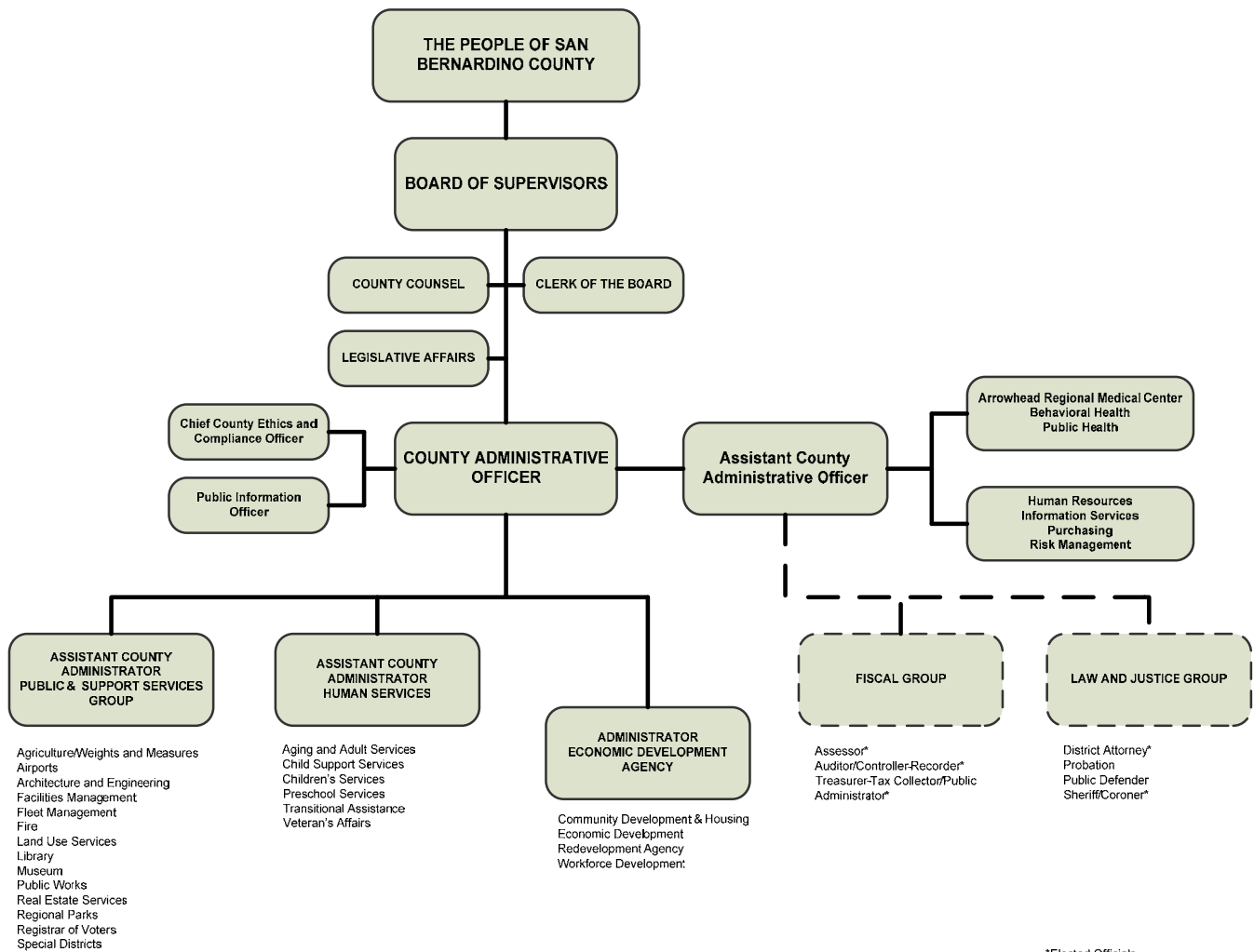
CONCLUSION

The 2007-08 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As the County enters a new year and looks forward to the challenges that lie ahead in future years, we will continue to strive to efficiently and effectively meet the needs of San Bernardino County's citizens.



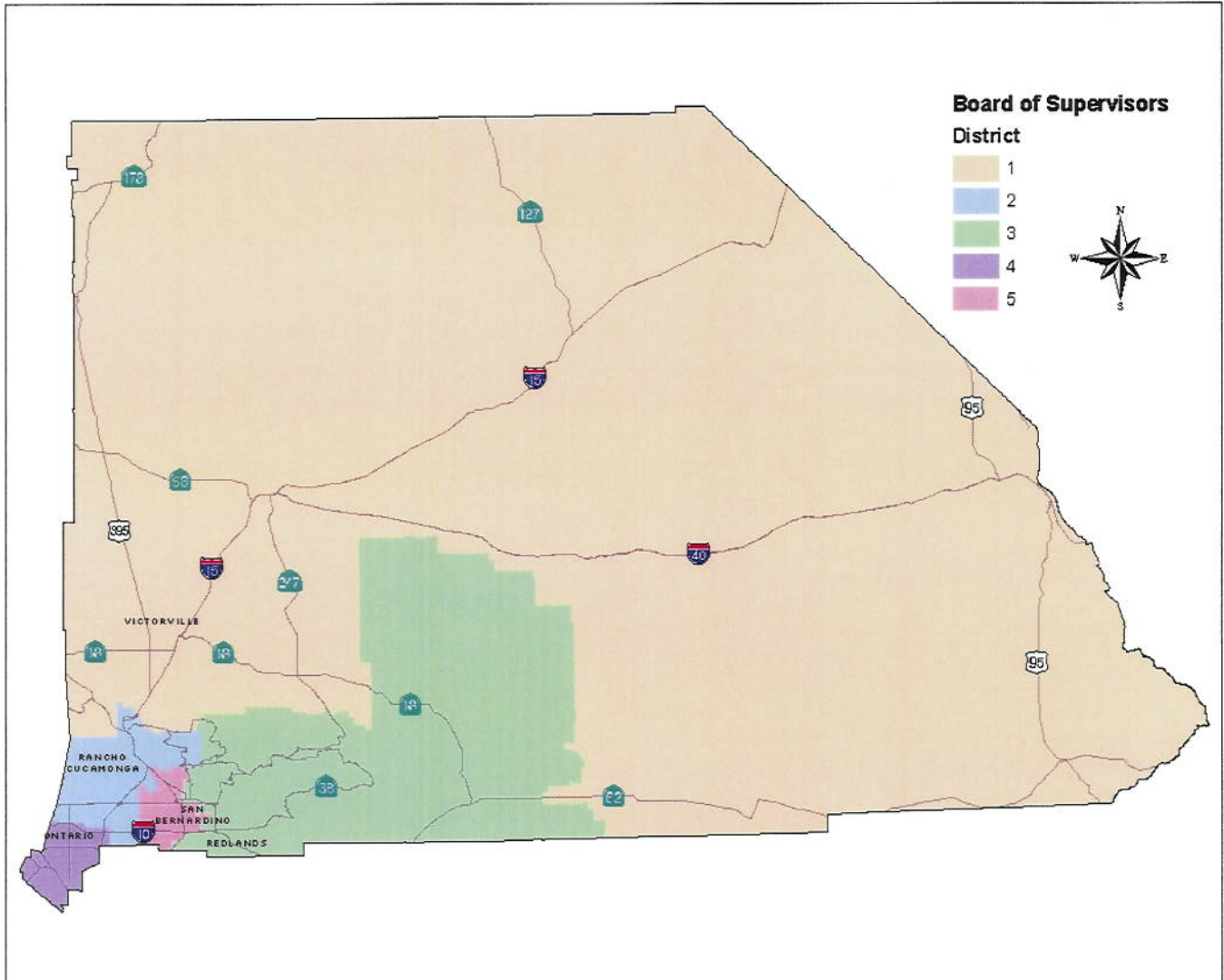
MARK H. UFFER
County Administrative Officer





*Elected Officials





*Each city included in this County Map is the largest city in its respective district.

County formed in 1853

County Seat: San Bernardino

The County is a charter County divided into five supervisorial districts based on population.

The County is governed by a five-member Board of Supervisors. Members serve four-year terms.

The Chairman and Vice Chairman are elected by and from members of the Board.

COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

SIZE:

20,160 square miles (largest county in the contiguous United States by area)

ELEVATION:

Highest Elevation, Mt. San Gorgonio, 11,502 ft.

INCORPORATED CITIES:

24

POPULATION BY CITY

INCORPORATED CITY	TOTAL 1/1/2007 ESTIMATED POPULATION
Adelanto	27,139
Apple Valley	70,297
Barstow	23,943
Big Bear Lake	6,207
Chino	81,224
Chino Hills	78,668
Colton	51,797
Fontana	181,640
Grand Terrace	12,380
Hesperia	85,876
Highland	52,186
Loma Linda	22,451
Montclair	36,622
Needles	5,759
Ontario	172,701
Rancho Cucamonga	172,331
Redlands	71,375
Rialto	99,064
San Bernardino	205,010
Twentynine Palms	24,830
Upland	75,169
Victorville	102,538
Yucaipa	51,784
Yucca Valley	21,044
Total Incorporated	1,732,035
Total Unincorporated	295,978
Total County of San Bernardino	2,028,013

Source: State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change- January 1, 2006 and 2007. Sacramento, California, May 2007.

UNEMPLOYMENT: 5.7% (July 2007)

Source: California Employment Development Department, Labor Market Information

MAJOR COUNTY EMPLOYERS (July 2007):

Employer	Employees
County	18,165
National Training Center	14,025
Loma Linda University Health Center	13,000
US Marine Corp Air/Ground Center	12,486
San Bernardino City Unified School District	8,194

Source: The Business Press, Copyright 2007

Note: Information was provided by the companies, agencies and institutions in this listing at the request of The Business Press. Business Press relied on each organization to report information completely and accurately. Several organizations were invited to provide information for the Business Press publication, but had not done so at press time.

MAJOR COUNTY TAXPAYERS (Secured Taxpayers-2007 Property Tax Rolls)

Name	Assessed Value
Southern California Edison	\$1,357,580,339
Prologis	\$615,223,382
Mountain View Power Co.	\$603,600,000
Verizon	\$585,412,908
High Desert Power	\$481,000,000
Majestic Realty Co.	\$472,168,174
Loma Linda University & Medical Center	\$471,001,231
Cemex, Inc.	\$434,977,632
Kaiser Foundation Hosp./Health Plans	\$411,437,646
California Steel Industries, Inc.	\$388,255,627

Source: County of San Bernardino, Assessor and Auditor-Controller/Recorder Property Tax Division.

EMPLOYMENT MIX (December 2005):

Services	545,000
Retail Trade	88,900
Government	120,600
Construction	46,100
Transportation & Public Utilities	166,100
Wholesale trade	31,200
Farming	2,900
Finance, insurance & real estate	27,300
Mining	800

Source: California Employment Development Department, SB County - Industry Employment and Labor Force - By Month, August 18, 2006.



MEDIAN HOME PRICE (2006): \$360,000

Source: Data Quick Information Systems, 2006.

ASSESSED VALUATIONS (FY 2007-08):

\$177,920,330,677

MEDIAN FAMILY INCOME**(2006 estimate):** \$58,073

Source: U.S. Census Bureau, 2006 American Community Survey

PER CAPITA PERSONAL INCOME: \$25,108 (2004)

Source: California Employment Development Department, Labor Market Information.

TAXABLE SALES (FY 2005-06): \$31,212,132,000

Source: State Board of Equalization

REGIONAL PARKLAND:

9,200 acres

COUNTY LIBRARY:

31 Branches

UNIVERSITIES/COMMUNITY COLLEGES

(Ranked by # of students):

Four Year Universities (2004)

1. California State University San Bernardino (16,194)
2. University of Redlands (4,532)
3. Loma Linda University (4,062)

Community Colleges (2004)

1. Chaffey College (18,845)
2. San Bernardino Valley College (13,048)
3. Victor Valley Community College (10,495)
4. Crafton Hills College (5,207)
5. Barstow College (3,135)
6. Copper Mountain College (2,058)

Source: RAND California, Education Statistics.

AIRPORTS:

1. Apple Valley Airport
2. Baker Airport
3. Cable Airport
4. Chino Airport
5. Daggett Airport
6. Hesperia Airport
7. Needles Airport
8. Ontario International Airport
9. San Bernardino Airport
10. Southern California Logistics Airport
11. Twentynine Palms Airport

TOURIST ATTRACTIONS:

1. Big Bear Lake Resort
2. Calico Ghost Town*
3. California Speedway
4. Colorado River
5. Hyundai Pavilion at Glen Helen*
6. Joshua Tree National Park
7. Lake Arrowhead Resort
8. Route 66

*County-owned

TOP 5 HOSPITALS:

(Ranked by # of beds)

1. Loma Linda University Medical Center, Loma Linda (577 beds)
2. Kaiser Foundation Hospital, Fontana (392 beds)
3. Arrowhead Regional Medical Center, Colton (353 beds)
4. Community Hospital of San Bernardino, San Bernardino (292 beds)
5. St. Bernadine Medical Center, San Bernardino (286 beds)

Source: Hospital Directory, 2007 U.S. News and World Report, L.P., provided by the American Hospital Association.

GENDER (2006 estimate):

	Percent
Male	50.1%
Female	49.9%

Source: U.S. Census Bureau, 2006 American Community Survey

RACE/ETHNICITY (2007 Projection):

Hispanic	44.8%
White	37.5%
Black	9.6%
Asian	5.2%
American Indian	0.6%
Pacific Islander	0.3%
Multi-Race	2.0%

Source: State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000-2050. Sacramento, CA, July 2007.

MEDIAN AGE (2006 estimate): 30.3

Source: U.S. Census Bureau, 2006 American Community Survey

BIRTH RATE (2005): 1,695 (per 100,000 population)

Source: State of California, Department of Finance, Demographic Research Unit, Historical and Projected Birth by County, 1990-2015, September 2006.

DEATH RATE (2004): 678.7 (per 100,000 population)

Source: Center for Health Statistics

POVERTY LEVEL (2006 estimate): 13.7%

Source: U.S. Census Bureau, 2006 American Community Survey

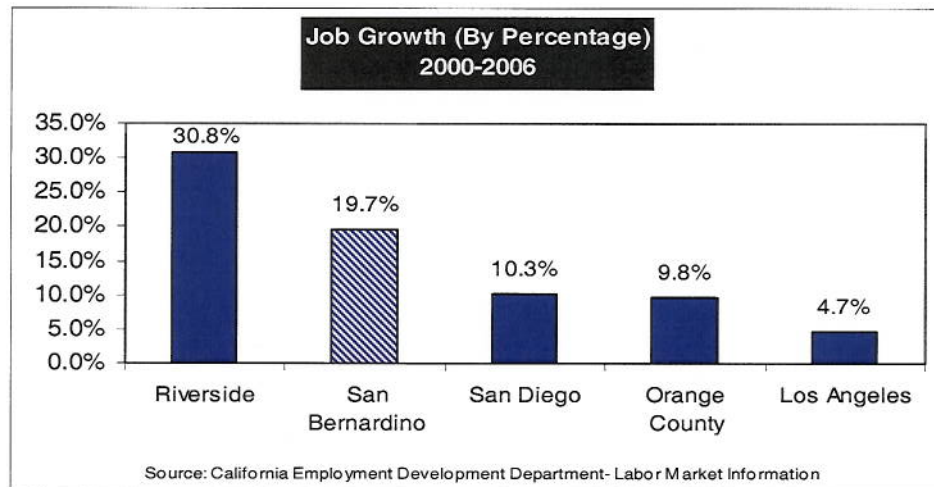
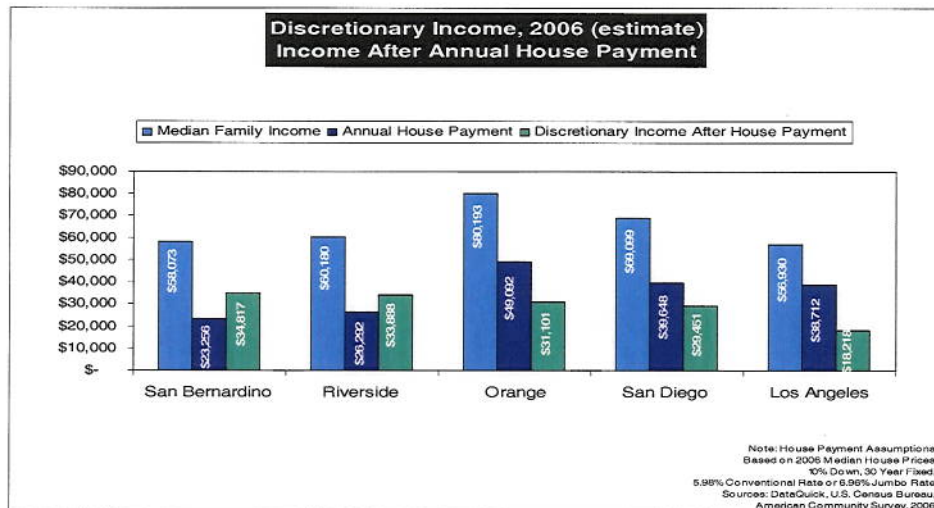
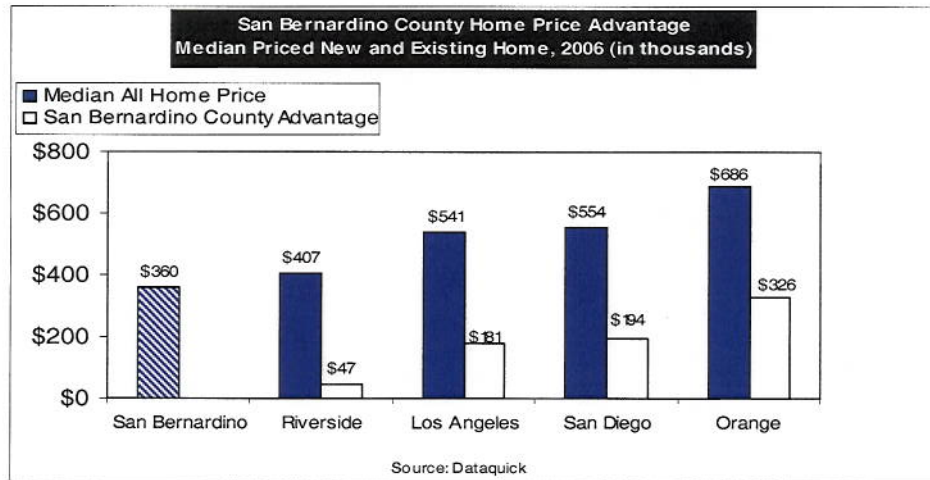
EDUCATIONAL ATTAINMENT (2006 estimate of county population age 25 years and over):

	Percent
Less than 9th grade	10.7%
9th to 12th grade, no diploma	12.7%
High school graduate (includes equivalency)	28.7%
Some college, no degree	22.5%
Associate's degree	8.1%
Bachelor's degree	11.7%
Graduate or professional degree	5.6%

Source: U.S. Census Bureau, 2006 American Community Survey



THE COUNTY OF SAN BERNARDINO COMPARISON TO OTHER COUNTIES



COUNTY OF SAN BERNARDINO

The County of San Bernardino's 2007-08 Final Budget covers the period from July 1, 2007 – June 30, 2008. The budget consisting of the general fund, restricted financing funds, capital project funds, special revenue funds, and enterprise funds has a total appropriation of \$3.5 billion. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget amount which was adopted on June 26, 2007.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

Mission Statement

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the **health, safety, well-being, and quality of life** of its residents according to the County Charter, general laws, and the will of the people it serves.

Vision Statement

Our vision is to create a safe, clean, and healthy environment that appeals to families and individuals, and attracts the best in business and industry. We will create, support, and enhance vibrant communities that emphasize beauty, culture, art, recreation, education, and a sense of history.

VALUES Statement

To achieve our Vision, we dedicate ourselves to these values:

- **Valuing** our workforce by providing recognition, training and education, opportunities for customer service and career development, a safe and healthy work environment and fair compensation.
- **Appreciation** and promotion of the diverse cultures that comprise our workforce and the communities we serve.
- **Leadership** by coordinating regional planning through collaboration with local communities and businesses.
- **Unquestioned integrity** that embraces a culture of honor and trustworthiness.
- **Excellence** in the development of efficient and cost-effective strategies to improve customer service in an atmosphere that allows and encourages new ideas.
- **Service** of the highest quality to our customers delivered with dignity and respect.

The County of San Bernardino's annual budget process starts with the development of the Business Plan document. The Business Plan document is the instrument used by the County to tie departmental budgets to departmental goals, objectives, and performance measures. This final budget book is the end result of the annual budget process. While this final budget book includes departmental strategic goals and performance measures, which demonstrate how department's meet their overall departmental mission as well as the global mission of the County, it does not list the departmental objectives. Therefore, the following two pages provide a high-level overview of County departments. For those departments offering primary services, a single goal and objective has been listed that best highlights the County's global mission statement.



COUNTYWIDE SERVICES

The services provided by the County are arranged into categories in accordance with the County Mission Statement. Therefore, the primary categories of service for the county are health, safety, well-being, and quality of life. The categories of support and fiscal services are necessary to supplement the primary services.

PRIMARY CATEGORIES OF SERVICE

Health Services

- Arrowhead Regional Medical Center
- Behavioral Health
- Public Health

Safety Services

- County Fire
- District Attorney
- Law and Justice Group Administration
- Probation
- Public Defender
- Sheriff

Well-Being Services

- Aging and Adult Services/Public Guardian
- Agriculture/Weights and Measures
- Airports
- Child Support Services
- Community Development and Housing
- Economic Development
- Human Services Administration
 - Transitional Assistance
 - Children's Services
- Land Use Services
- Preschool Services
- Public Works
- Redevelopment Agency
- Registrar of Voters
- Veterans Affairs
- Workforce Development

Quality of Life Services

- County Library
- County Museum
- Regional Parks

SUPPLEMENTAL CATEGORIES OF SERVICE

Support Services

- Architecture and Engineering
- Capital Improvement Program
- Clerk of the Board
- County Administrative Office
- County Counsel
- Facilities Management
- Fleet Management
- Human Resources
- Information Services
- Purchasing
- Real Estate Services
- Risk Management

Fiscal Services

- Assessor
- Auditor/Controller-Recorder
- Treasurer-Tax Collector/Public Administrator



SAN BERNARDINO COUNTY GOALS AND OBJECTIVES		
SERVICES	GOALS	OBJECTIVES
HEALTH:		
Arrowhead Regional Medical Center	Increase outpatient and emergency room visits.	Continue implementation of outpatient visit redesign program in primary and specialty clinics.
Behavioral Health	Increase access to behavioral health services for individuals that are unserved or who are receiving a limited level of services.	Continue to increase the development of community-based behavioral health care and treatment programs that serve as options to institutionalization.
Public Health	Prevent disease and disability, and promote healthy lifestyles.	Improve the health of children by increasing the percentage of children who are up-to-date on required childhood vaccinations.
SAFETY:		
County Fire	Enhance service delivery in response to projected county population growth within areas served by the County Fire Department.	Identify and measure deficiencies in the current delivery system; and further identify facility, staffing, infrastructure, and financing needs to meet current and projected service delivery standards and goals.
District Attorney	Promote public safety by punishing criminal conduct.	Continue to promptly, effectively, and ethically prosecute criminal offenses.
Law and Justice Group Administration	Reduce the negative effects of gang-related crimes on the citizens of the county.	Implement the Strategic Plan on Gangs to reduce gang activity.
Probation	Provide proven treatment options for probationers according to their risk level and criminogenic factors.	Increase the number of offenders in evidence based treatment programs.
Public Defender	Reduce backlog of old cases.	Increase early resolution of cases, thus minimizing custody time (and its attendant costs to the client and to the county).
Sheriff	Enhance response capabilities to disasters and other emergencies.	Effectively communicate with multiple agencies during critical incidents.
WELL-BEING:		
Aging & Adult Services/Public Guardian	Ensure the safety of at-risk adults and the elderly to improve or maintain quality of life.	Respond to emergency Adult Protective Services (APS) referrals within state mandated timelines.
Agriculture/Weights and Measures	Continue to protect the public's health, agriculture and environment by preventing proscribed foreign pest infestations and the misuse of pesticides, in light of increases in county growth.	Inspect all shipments of plant material for compliance with quarantines and freedom from proscribed pests that arrive in the county by common carriers.
Airports	Improve coordination and management of Airports Capital Improvement Program.	Work with the Architecture and Engineering Department to reduce the average length of time required to complete Airport capital improvement program projects.
Child Support Services	Improve organizational performance.	Improve performance by implementing new processes and modifying existing processes.
Community Development and Housing	Communicate useful and timely information to other agencies and to the general public to inform them about grant and loan resources available to meet community and housing needs.	Advertise the annual Community Development Block Grant (CDBG), HOME, and Emergency Shelter Grant Programs, and request CDBG applications.
Economic Development	Brand the county as an ethnically, culturally, socially, and economically diverse region that provides competitive advantages with top level customer service.	Coordinate and market county services for businesses.
Human Services Administration:		
<i>Transitional Assistance</i>	Increase public awareness of the Food Stamp Program.	Increase the total number of households participating in the Food Stamp Program, through increased outreach efforts.
<i>Children's Services</i>	Increase the number of adoptions.	Increase the number of home studies completed to expedite adoptive placements.
Land Use Services	For Code Enforcement, increase the number of initial inspections performed within three weeks of receiving a complaint.	Review the division's staff assignments for complaints.
Preschool Services	Achieve school readiness of children enrolled to ensure they are making progress toward positive outcomes.	Teachers will share child assessment information with parents and this input will be used to prepare home and classroom activities responsive to children's individual needs.
Public Works	Maintain the level of safety and maintenance for county maintained roads.	Maintain the average Pavement Condition Index (PCI) for county maintained roads at a "good" or higher PCI category.
Redevelopment Agency	Assist in the development of capital improvements to eliminate and prevent the acceleration of physical blight and encourage the better utilization of real property and new private enterprise investment.	Assist in the development of public facilities and utilities, such as the construction or rehabilitation of fire and sheriff stations, community centers, school facilities, parks, multi-use trails, and utility improvements.
Registrar of Voters	Increase voter participation in the electoral process.	Procure Mobile Voting Unit for use at all San Bernardino County events, free of charge, to promote the electronic voting equipment and to generate interest in the electoral process.
Veterans Affairs	Emphasize higher standards of customer service.	Revise customer service policy to ensure full commitment to our customers which will require participation and support of Veterans Affairs employees.
Workforce Development	Meet or exceed all WIA enrollment and performance standards negotiated with the state for customers in Adult, Dislocated Worker and Youth Services.	Enroll 650 customers in Adult and/or Dislocated Worker services.
QUALITY OF LIFE:		
County Library	Enhance computer and electronic resources for the public.	Increase the purchase of electronic resources.
County Museum	Enhance public awareness of Museum services/programs and increase accessibility to Museum collections.	Identify more objects and artifacts to be exhibited for museum visitors.
Regional Parks	Increase public awareness of the new enhancements and amenities throughout the County Regional Park System and provide excellent customer service to ensure return visitors.	Increase attendance at the regional parks through enhanced marketing efforts.



FINANCIAL PLANNING CALENDAR

Ongoing

The Board of Supervisors provides ongoing policy direction to the County Administrative Officer.

Departments provide periodic budget to actual estimates to the County Administrative Office.

September through December

Business Plans – Department-wide Business Plans are developed and serve as a guideline to lead the County in preparing the budget. The Business Plan is a comprehensive and systematic management tool designed to help each department assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the department's mission, and achieve consensus on goals and objectives for achieving that mission. The Business Plan supports the annual budget plan by illustrating how a department's budget and available resources can be tied to goals and objectives, and is used to track, monitor, and evaluate departmental progress by establishing timelines and milestones, and comparing projections to actual accomplishments.

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by the County Administrative Office and presented to the Board of Supervisors for comments and recommendations. In addition, departmental five-year capital improvement plans are updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

Fee and Internal Service Rate Development – Departments develop their respective budget unit(s) proposed fee changes and internal service rate adjustments and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors.

January through February

Five-year Financial Plan – The County Administrative Office develops a five-year forecast of financial operations for general fund programs, projecting major revenues and expenditures, based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are reported to the Board of Supervisors.

Business Plan Workshop – Department Heads, County Administrative staff, and the Board of Supervisors meet to discuss and review the Business Plans. These plans include departmental requests for policy items for which the Board of Supervisors provides input and direction to staff.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units. Additionally, internal training is conducted for all users of the system and the system is opened up for departmental input into preparation of the budget submittal.

Internal Service Rates – The rates charged by departments for services provided to other departments are brought before the Board of Supervisors for approval. In addition to rates for internal service funds, rates for services provided by general fund departments, such as Facilities Management, Human Resources, and Architecture and Engineering are also approved.



March and April

Fee Hearing – The Board of Supervisors conducts a public hearing on the Proposed Fee changes. Fee changes are included in the Proposed Budget submittals to the Board of Supervisors.

Financial Plan – The upcoming budget year financing plan is developed based on revenue projections and estimates for cost increases of on-going costs. This plan includes the allocation of general fund financing (local cost) and provides estimates from remaining funding available to meet unmet needs of the County.

Preparation of Proposed Budget – Departments develop their respective proposed budgets and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors. General fund departments must budget within their respective local cost allocations given to them based on the financing plan.

May and June

Submission of Proposed Budget – The Proposed Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the proposed budget.

Budget Hearing – The Board of Supervisors conducts public hearing on the Proposed Budget. At this time, the Board may modify the Proposed Budget.

Adoption of Final Budget – All Board approved changes are incorporated into the Final Budget.



Calendar for the 2007-08 Budget

September 18, 2006	Business Plan Instructions to Departments
October 18, 2006	Capital Improvement Call Letter to Departments
November 3, 2006	Departments Submit Business Plans to Budget Office
November 28, 2006	Fee Instructions to Departments
November 28, 2006	Departments Submit Capital Improvement Requests to Budget Office
December 15, 2006	Departments Submit Fee Workbooks to the Budget Office
February 12, 13, and April 3, 2007	2007-08 Business Plan Workshops
February 13, 2007	Budget Preparation System opened for Departmental Input
February 21, 2007	Budget Preparation System Training
February 27, 2007	Budget Instructions to Departments
February 27 and March 13, 2007	2007-08 Internal Service Rates Approved
March 13, 2007	Fee Hearing
March 13, 2007	Board of Supervisors Approval of Targets/Financial Plan and Strategic Objectives
March 27, 2007	Departments Submit Budget Workbooks to the Budget Office
May 18, 2007	Proposed Budget Delivered to the Board of Supervisors
June 19, 2007	Budget Hearing
June 26, 2007	Adoption of 2007-08 Final Budget
September 2007	Final Budget Book Printed



Business Plan

This year, the Board of Supervisors received the County's second Business Plan, distributed in January 2007. This plan document is the starting point for San Bernardino County's budget process and it is intended to support the annual budget plan by tying the budget to the department's goals, objectives, and performance measures necessary to meet the overall mission of the department. The Business Plan is used to help track, monitor, and evaluate the progress by establishing timelines and milestones, where each department can monitor their progress and compare their projections to actual accomplishments.

Business Plan Workshops were held February 12, 13, and April 3, 2007. These workshops provided the Board of Supervisors the opportunity to review departmental goals and objectives. Additionally, this was the first occasion for departments to explain how they utilize their allocated resources in terms of meeting projected goals and objectives and what additional resources would be needed for new projects not yet funded. At this time, departments also presented fee adjustments and/or policy items, which included funding requests for those workload and program changes that are not financed within their existing general fund allocations.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. This plan begins with reviewing the two restricted financing sources, Prop. 172 and Realignment. Prop. 172 assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. If these financing sources are not sufficient to pay for those departments' costs, then the general fund sources are considered.

The 2007-08 financing plan presented to the Board of Supervisors on March 13, 2007, included a total of \$135.4 million in discretionary revenue available for financing in 2007-08. This revenue is comprised of property taxes, interest on the county investment pool, sales tax, and other taxes. The financing plan initially allocates increases in these discretionary revenues to fund increases in mandatory costs such as previously negotiated salary increases, previous year's Board approved costs, and other mandated costs. The increased costs to maintain current services totaled \$105.7 million. After the mandatory costs are financed, the remaining unallocated discretionary revenue of \$29.7 million is presented to the Board of Supervisors for allocation.

Also on March 13, 2007, the Board of Supervisors held a Fee Hearing. The Fee Hearing is designed to take public testimony related to the fees for the 2007-08 fiscal year. The fee hearing and approval of the fees was completed at this time to allow the fee changes to be incorporated into the proposed budgets and for implementation of the approved fees to correspond with the start of the fiscal year.

The 2007-08 Proposed Budget Hearing was held June 19, 2007. At this time, the County Administrative Office made recommended changes to financing and reserves. Additionally, the county's policy items were also considered.

The Final Budget was formally adopted on June 26, 2007, which included several approved departmental policy items. When the budget was adopted, the Board of Supervisors directed that any final fund balance adjustment in the general fund be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.



Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has restricted financing funds, capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2007-08 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the Budget Hearing. In addition, when the Board of Supervisors approved the final budget, they also approved the necessary fund balance adjustments to these funds to agree to the Auditor/Controller-Recorder's actual fund balance.

Amending the Adopted Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or the Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with local financing are not allowed.
- Transfers out not funded with local financing requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

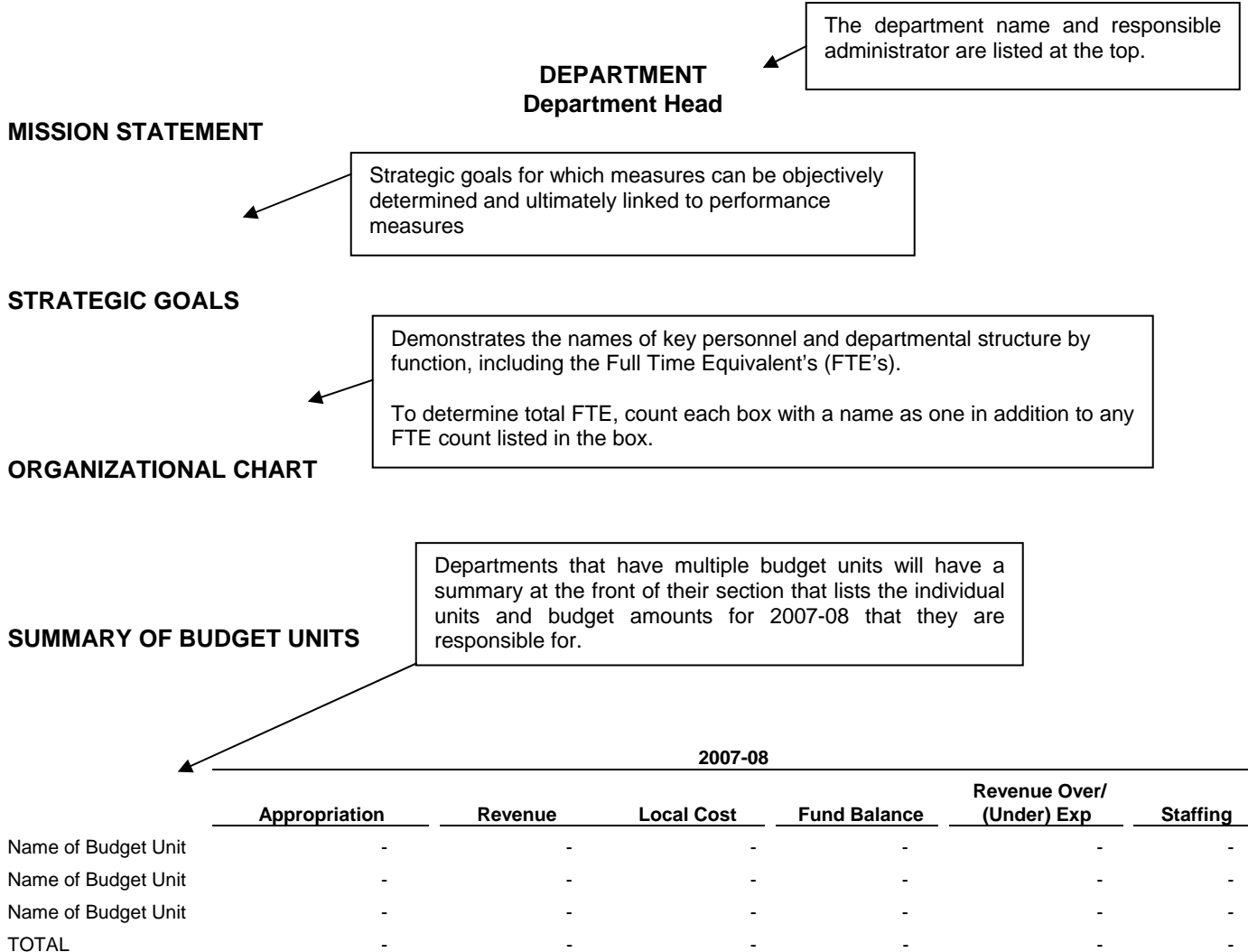
Transfer of Fixed Asset Appropriation:

- Transfers out requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in, less than \$10,000 may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000 requires an item to be placed on the agenda of the Board of Supervisors for approval.



BUDGET BOOK FORMAT

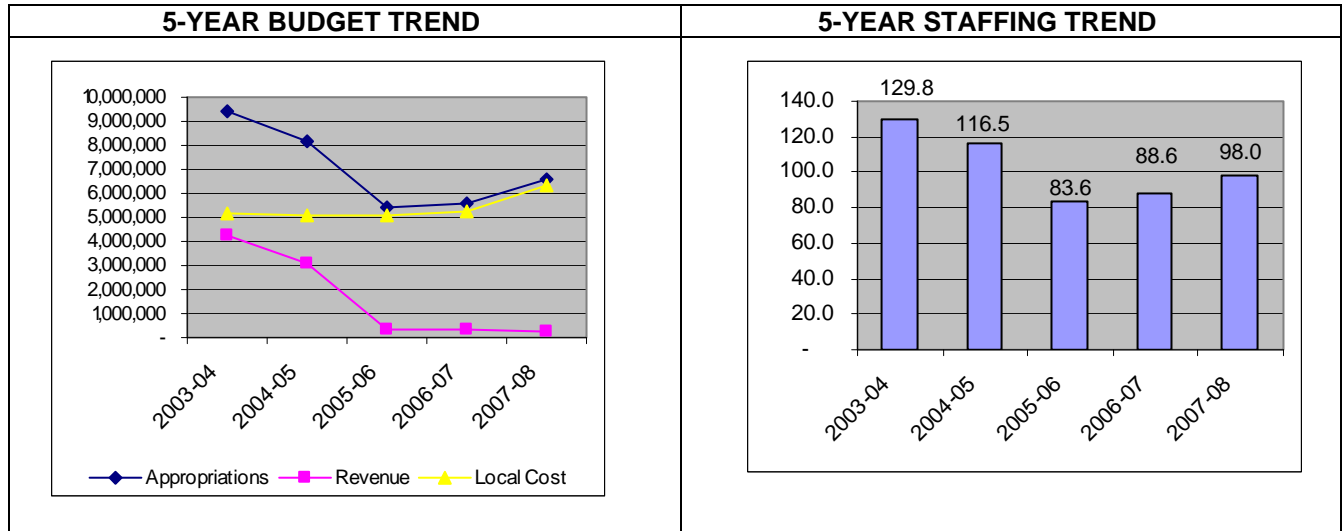
Budget units presented in this book are displayed at a fund/department level. Although some departments incorporate additional organizational levels when developing their budgets, the fund/department level of presentation was selected to provide consistency between all budget units. A sample of the departmental budget format is included in this attachment.



DESCRIPTION OF MAJOR SERVICES

Description of Major Services provides a narrative describing the function and activity of the budget unit.

BUDGET HISTORY



These graphs display a visual picture of the department's trends for the current year and prior four years in budgeted local cost or fund balance or revenue over/(under), where applicable, and budgeted staffing.

Performance History provides a historical overview of the budget unit, including actual amounts from 2003-04, 2004-05 and 2005-06, the 2006-07 modified budget and an actual amount for 2006-07.

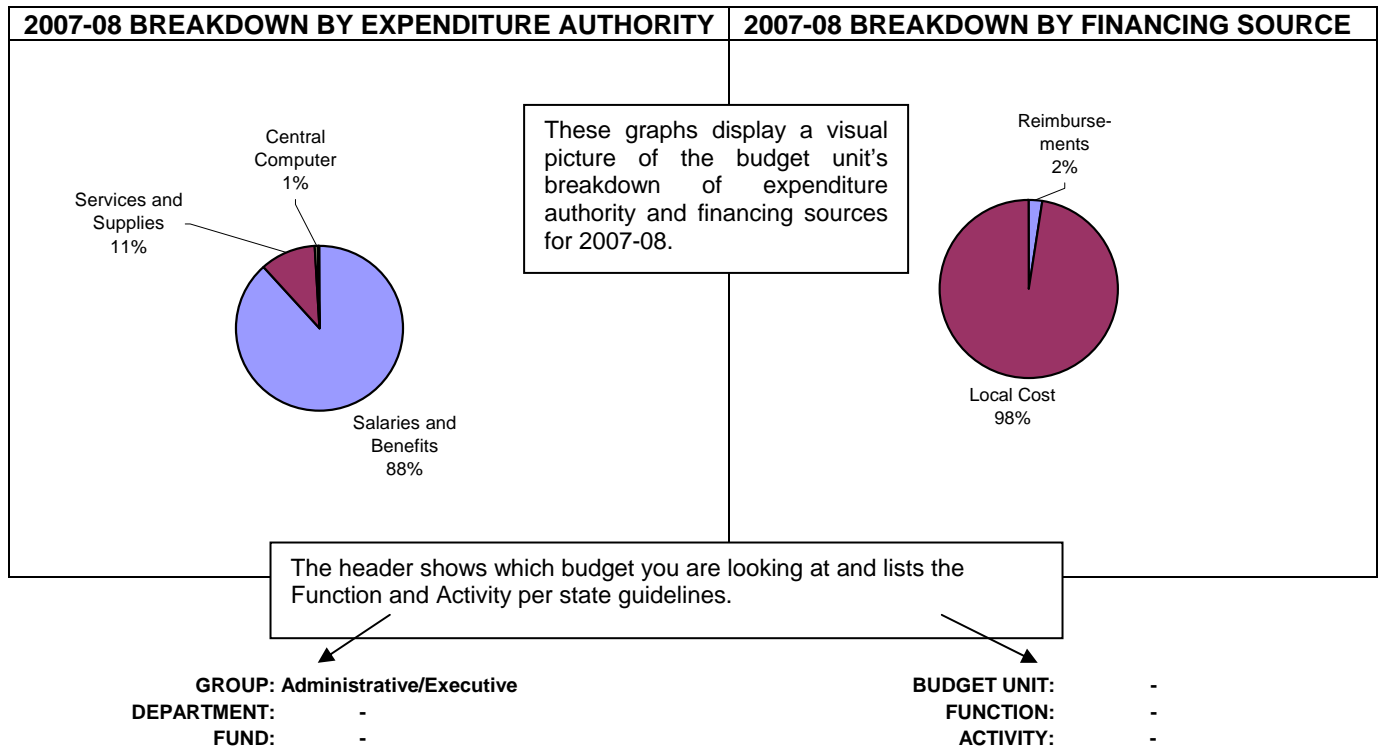
PERFORMANCE HISTORY

	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Modified Budget	2006-07 Actual
Appropriation	-	-	-	-	-
Departmental Revenue	-	-	-	-	-
Local Cost	-	-	-	-	-
Budgeted Staffing				-	

For those departments that have significant variances between modified budget and actual in 2006-07, there will be an explanation of why this occurred.



ANALYSIS OF FINAL BUDGET



	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2006-07 Final Budget	2007-08 Final Budget	Change From 2006-07 Final Budget
<u>Appropriation</u>							
Salaries and Benefits	-	-	-	-	-	-	-
Services and Supplies	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-
Total Exp Authority	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-
Total Appropriation	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
Total Requirements	-	-	-	-	-	-	-
<u>Departmental Revenue</u>							
Taxes	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-
Other Financing Sources	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-
Total Financing Sources	-	-	-	-	-	-	-
Local Cost	-	-	-	-	-	-	-
Budgeted Staffing	-	-	-	-	-	-	-

This section provides a history of actual expenditures incurred by budget line item and the comparison of budget line item from prior year adopted to the current year adopted.

The following narrative section briefly explains the adopted budget by appropriation unit or line item, including significant changes from the prior year.



PERFORMANCE MEASURES			
Description of Performance Measure	2006-07 Projected	2006-07 Actual	2007-08 Projected
Insert Performance Measurement			
Insert Performance Measurement			
Insert Performance Measurement			

This schedule describes the department's performance goals for the 2007-08 budget year.

Performance measures are placed with the budget unit to which they specifically apply. This section may not appear when performance measures are not applicable and/or overall department measures appear elsewhere.



APPROPRIATION SUMMARY

The 2007-08 final budget includes appropriation of \$3,473,656,126, an increase of \$140,212,046 or 4.21% over the 2006-07 final budget. The schedule below lists appropriation, however, it does not include operating transfers, which is a mechanism for providing financing from one fund to another within the county.

	Actual 2005-06	Final 2006-07	Final 2007-08	Change Between 2006-07 & 2007-08	Percentage Change
Countywide Operations					
Admin/Executive Group	291,683,367	462,158,163	492,904,353	30,746,190	6.65%
Contingencies / Board Elective Projects	949,474	59,124,138	73,911,684	14,787,546	25.01%
Financial Administration	6,118,848	6,916,414	7,500,000	583,586	8.44%
Debt Service	20,987,980	21,137,293	21,437,356	300,063	1.42%
Economic Development Agency	3,082,696	7,884,668	7,866,652	(18,016)	(0.23%)
Fiscal Group	45,408,735	55,579,783	59,207,584	3,627,801	6.53%
Human Services	788,285,623	837,760,168	846,501,177	8,741,009	1.04%
Law & Justice Group	555,119,195	607,264,840	656,387,509	49,122,669	8.09%
Public and Support Services Group	78,973,921	99,187,047	103,580,691	4,393,644	4.43%
Total General Fund	1,790,609,839	2,157,012,514	2,269,297,006	112,284,492	5.21%
Restricted Financing Funds	-	51,218,711	59,080,371	7,861,660	15.35%
Capital Project Funds	70,879,232	187,965,212	137,057,617	(50,907,595)	(27.08%)
Special Revenue Funds	210,744,881	419,583,558	443,621,847	24,038,289	5.73%
Subtotal	2,072,233,952	2,815,779,995	2,909,056,841	93,276,846	3.31%
Enterprise Funds					
Arrowhead Regional Medical Ctr (ARMC)	326,408,655	340,079,901	361,320,328	21,240,427	6.25%
Medical Center Lease Payment	53,485,019	54,023,686	53,419,848	(603,838)	(1.12%)
ARMC Capital Projects	55,878	-	28,217,315	28,217,315	- - -
County Museum Store	116,283	102,316	92,207	(10,109)	(9.88%)
Regional Parks Snackbars	71,468	74,336	77,609	3,273	4.40%
Regional Parks Camp Bluff Lake	38,828	222,466	253,860	31,394	14.11%
Solid Waste Management	70,098,216	123,161,380	121,218,118	(1,943,262)	(1.58%)
Subtotal	450,274,347	517,664,085	564,599,285	46,935,200	9.07%
Total Countywide Funds	2,522,508,299	3,333,444,080	3,473,656,126	140,212,046	4.21%

Countywide Operations

Countywide operations show an increase in appropriation of \$112,284,492. The most significant increases are in Administrative/Executive Group, Contingencies / Board Elective Projects and the Law & Justice Group. The only decrease is in the Economic Development Agency. Each group and the significant changes within the group are discussed below.

The **Administrative/Executive Group** shows a net increase of \$30.7 million. The Behavioral Health budget unit represents \$13.7 million of this increase mainly due to increases in staffing to support the Mental Health Services Act and Behavioral Health's Alcohol and Drug program represents \$2.3 million of this increase for additional staff and outpatient contracts. Additionally, the Public Health budget unit increased \$5.5 million which will support staffing increases, facility remodels, and the Outreach, Enrollment, Retention, and Utilization (OERU) program. Furthermore, the Health Administration budget unit increased \$3.1 million as a result of a February 6, 2007 Board of Supervisors' action, which approved the separation of the Inland Counties Emergency Medical Agency (ICEMA) from the Public Health budget unit, to be included as a separate organization within Health Administration and administered directly by the County Administrative Office.

Contingencies / Board Elective Projects are increased a total of \$14.8 million. Contingencies increased by a net \$3.7 million and Board Elective Projects increased by \$11.1 million. The jail expansion contingency increased by \$4.6 million to restore that contingency to its original amount as the \$4.6 million of the ongoing contingency was used in 2006-07 to fund the design costs for the Adelanto Detention Center Expansion Project. Board Elective Projects includes a \$10.0 million one-time allocation that the Board of Supervisors will utilize to fund specific projects that were not included or unknown at the time of the final budget adoption.



The **Economic Development Agency** shows a slight decrease resulting from the elimination of one-time funding received in 2006-07; coupled with the addition new funding for various policy items received in the adoption of the 2007-08 final budget as the Board of Supervisors continues to support the economic development of the county.

Within the **Fiscal Group**, all budget units experienced an increase. The total increase for the fiscal group was \$3.6 million. The most significant increases are in the Treasurer-Tax Collector's and the Auditor/Controller-Recorder's budget units. The Treasurer-Tax Collector's budget unit increased total appropriation by a net \$1.8 million. This increase was spread across all appropriation units with service and supplies and central computer each receiving slightly more than a half-million dollar increase. The Auditor/Controller-Recorder increased total appropriation by a net \$1.1 million. The most significant area of increase is salaries and benefits, which is attributed to MOU and retirement adjustments as well as the addition of budgeted staffing and the reclassification of several existing positions.

The **Human Services** increased a net \$8.7 million. Increases are reflected in the following budget units: the Administrative Claim increased by \$16.5 million, which is the result of staffing increases, increases in provider payments and transportation assistance to employment service clients, and increases in transfers for staffing costs provided by other county departments; Aid to Adoptive Children increased by \$5.0 million due to increased caseloads providing assistance to adoptive parents; and the Kin-Gap Program increased \$2.4 million as a result of the newly enhanced Kin-Gap Plus program (AB 1808) implemented by the State, which includes a new Specialized Care Increment (SCI) allowance and increased clothing allowance for children.

These increases were offset by decreases of \$12.4 million in the Foster Care budget unit resulting from a decline in caseload in recent years, partly due to cases shifting from Foster Care and into the Kin-Gap program, and \$5.2 million in the CalWORKS – Family Group budget unit due to a reduction of the average CalWORKS grant payment, as a result of the Governor not granting a cost of living adjustment to CalWORKS clients in 2007-08.

The **Law and Justice Group** increased by \$49.1 million. The most significant increases are in the following budget units: Sheriff-Coroner, Probation, District Attorney and Public Defender. In addition to increased cost to maintain current programs, staffing increases are the most significant factor and are discussed below by budget unit.

Staffing enhancements include 99.6 budgeted positions in the Sheriff-Coroner Department, 54.2 budgeted positions in Probation, 57.0 budgeted positions in the District Attorney, and 31.6 budgeted staffing in the Public Defender. These additions are the result of the Board of Supervisors' continued support of public safety as a top priority, which includes detention facilities, along with anticipated new county judgeships, new grant programs, and increases in contract law enforcement for cities.

The **Public and Support Service Group** shows a net increase of \$4.4 million. Increases were seen in various budget units within the group with the most significant increase of \$1.6 million in the Regional Parks budget unit. Regional Parks increased mainly due to the approval of two policy items to enhance the county's existing park facilities and to develop a Healthy Parks Program. The most significant decrease in appropriation is reflected in the Facilities Management budget unit. This decrease is mainly due to a GASB 34 accounting change to recognize payments for services as reimbursements as opposed to revenue, thereby offsetting the department's overall appropriation.

Restricted Financing Funds

Restricted Financing Funds consist of two restricted financing sources – Prop 172 and Realignment. Prop 172 revenue assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing mental health, social services and health programs within the County. All financing not anticipated to be utilized during the fiscal year are appropriated in contingencies in these restricted funds.

Of the total \$59.1 million for these restricted financing funds, the Realignment portion is \$42.5 million and the Prop 172 portion is \$16.6 million. Appropriation increased from the prior year by \$7.9 million, which consisted of a \$6.8 million increase in Realignment and a \$1.1 million increase in Prop 172. For more details regarding the usage of these restricted financing funds, refer to the General Fund Financing section of this budget book.



Capital Project Funds

Capital Project Funds appropriation decreased by \$50,907,595 from the prior year amount. Of this decrease, the most significant reduction was \$28.2 million which represents an accounting change to reclassify the Arrowhead Regional Medical Center's capital projects from the a capital funds into an enterprise fund.

Of the \$137.1 million total appropriation for all capital projects budgeted for 2007-08, \$33.3 million was budgeted for new projects and \$103.8 million was budgeted as carry-over projects. For more details regarding capital project funds, refer to the Capital Improvement Program section of this budget book.

Special Revenue Funds

Special Revenue Funds increased by \$24.0 million overall.

Significant increases in appropriation in special revenue funds include:

- \$10.0 million increase in Behavioral Health's Mental Health Services Act fund as a result of fund balance remaining at the end of the 2006-07 fiscal year.
- \$5.9 million net increase in Special Aviation funds primarily due to the cost of several new projects scheduled for 2007-08, as well as anticipated cost increases on a number of existing projects.
- \$3.5 million increase in Southwest Border Prosecution Initiative due to additional reimbursements and fund balance remaining at the end of the 2006-07 fiscal year.
- \$2.4 million increase in Juvenile Justice Grant Program due to an additional State allocation and fund balance remaining at the end of the 2006-07 fiscal year.

Significant decreases in appropriation in special revenue funds include:

- \$2.0 million net reduction in Community and Housing Development funds of which significant decreases of \$6.7 million in Neighborhood Initiative Program and \$1.9 million in Community Development Block Grant Projects budget unit offset by noteworthy increases of \$4.0 million in the Home Program, \$1.8 million in IVDA Program, and \$0.6 million in Affordable Housing.
- \$1.6 million net reduction in the various AB 75 Tobacco Tax funds is due to the appropriation leveling off and reduction of carryover amounts from prior years.

Enterprise Funds

Of the seven enterprise funds listed in the appropriation summary, Arrowhead Regional Medical Center (ARMC), ARMC Capital Projects, and Solid Waste Management had the most significant changes. As mentioned above, the Arrowhead Regional Medical Center's capital projects have been reclassified as an enterprise fund from a capital fund previously accounted for in the Capital Projects Fund category.

Arrowhead Regional Medical Center (ARMC) increased appropriation by a total of \$21.2 million. This significant increase entails three major areas of their budget. Salaries and benefit costs increased by \$6.6 million. The components involved in this area include: MOU, retirement, and step advances for the 2,656.0 budgeted staffing positions. In the area of services and supplies, which increased by \$6.0 million, increases are primarily due to costs associated with physician contracts and expenses related to medical and pharmacy supplies. The final major area is fixed assets, which is increasing by \$8.3 million in order to fund new equipment purchases as well as purchases to replace of existing aging equipment.

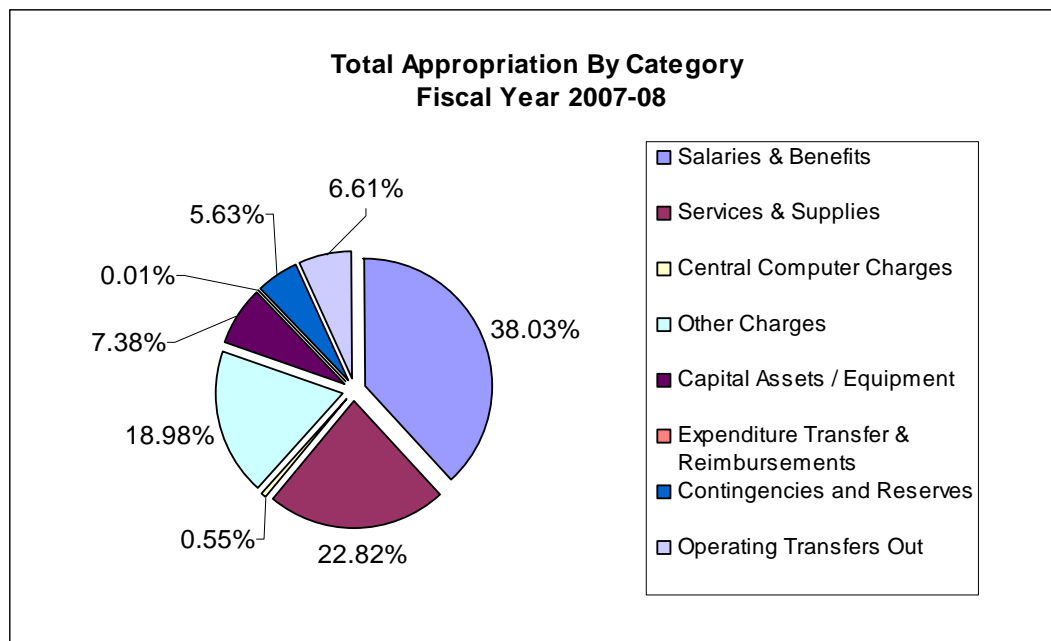
Solid Waste Management appropriation decreased by \$1.9 million; attributed mainly to a reduction in the number of landfill closure projects scheduled for 2007-08.



The appropriation summary charts presented on the following pages include expenditures and other financing uses such as operating transfers for all appropriated funds. Operating transfers represent financing provided from one fund to another within the county. The figures presented on the appropriation by category chart are subtotaled prior to the operating transfers out line. The appropriation categories reflected in the subtotal are the same as presented on page 21 of this county budget summary. Additionally, there is a chart to reflect appropriation by group/agency and a chart for appropriation by fund type.

APPROPRIATION SUMMARY BY CATEGORY

	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
Appropriation			
Salaries & Benefits	1,205,940,954	1,325,064,404	1,414,348,650
Services & Supplies	716,139,815	839,099,986	848,640,760
Central Computer Charges	14,971,328	17,848,675	20,414,813
Other Charges	727,264,460	715,060,056	705,918,422
Capital Assets / Equipment	213,270,176	291,507,915	274,682,341
Expenditure Transfer & Reimbursements	(10,601,679)	(7,096,920)	198,123
Contingencies and Reserves	226,208,965	151,959,964	209,453,017
Subtotal	3,093,194,019	3,333,444,080	3,473,656,126
Operating Transfers Out	197,904,137	287,057,017	245,852,403
Total	3,291,098,156	3,620,501,097	3,719,508,529
Budgeted Staffing	17,128.5	17,601.2	18,234.4



Changes by appropriation category for all appropriated funds include:

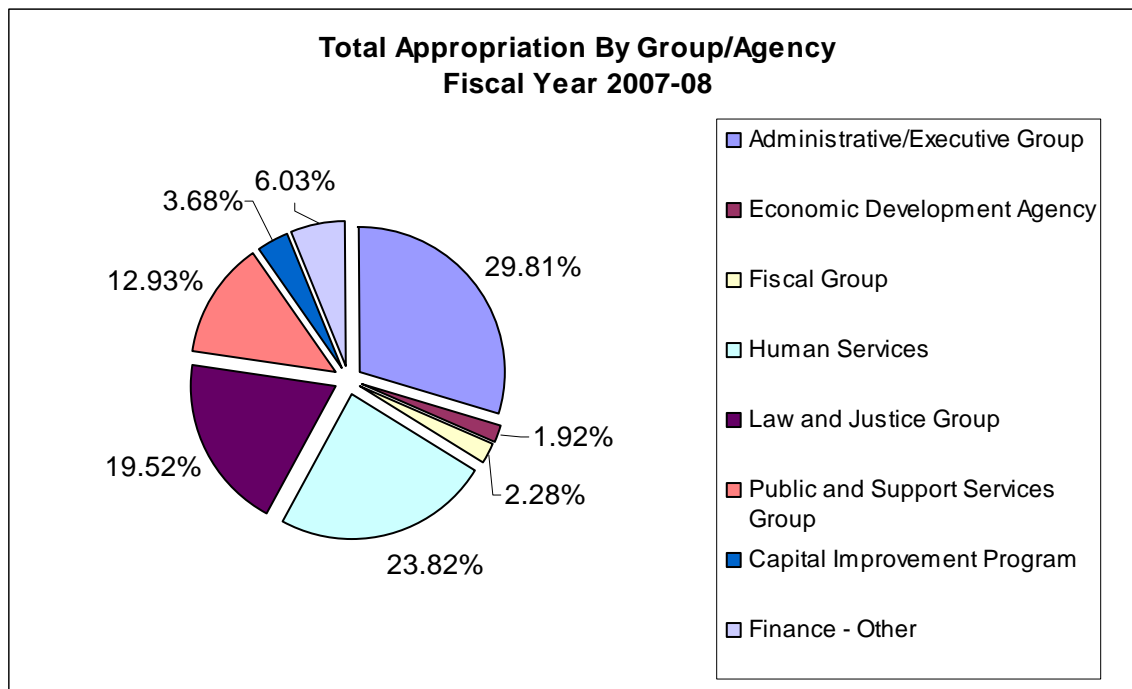
- Salaries and Benefits are increasing by approximately \$89.3 million or 6.7%. This represents increased costs as a result of negotiated labor agreements, required retirement contributions, and the addition of 633.2 positions. Of significance, the Department of Behavioral Health added positions as a result of increased funding under the Mental Health Services Act (MHSA); the Sheriff-Coroner added additional staffing for city service contracts, new grants, specialized task forces and workload; the District Attorney received new positions as a result of new judgeships and the Board of Supervisor's focus on gangs; and the Probation Department increased staffing resulting from new judgeships, workload, and mandates related to the John II Settlement and High Desert Juvenile Detention and Assessment Center. Refer to the "Budgeted Staffing Summary" on pages 32 - 38 for further detail regarding staffing changes by department.
- Services and Supplies are increasing by approximately \$9.5 million or 1.1%. Significant increases include Arrowhead Regional Medical Center and Solid Waste Management due to increases in operations. Significant decreases in Community and Housing Development special revenue funds and Transportation's Road Operations offset this increase as a result of appropriating contingencies in lieu of services and supplies to reflect anticipated expenditures for 2007-08 only.
- Central Computer charges are increasing by \$2.6 million or 14.4%. This is the result of 2006-07 rate adjustments to account for licensing and lease agreements, infrastructure upgrades, and increased central processing unit (CPU) usage.
- Other Charges are decreasing by \$9.1 million or -1.3%. This appropriation unit includes public assistance payments, contributions to other agencies, debt service payments, and interest expense. The most notable changes are a \$4.0 million decrease in the Tobacco Settlement Fund, a \$4.5 million decrease in the Capital Project Fund, and a net \$8.7 million decrease in public assistance. These decreases are offset with minor increases in the other charges appropriation in various budget units.
- Capital Assets/Equipment is decreasing by \$16.8 million or -5.8%. This appropriation category includes several subcategories: land acquisition, improvements to land, easements / rights of way, structures and improvements to structures, vehicles, equipment purchases and lease purchases, and capitalized software. Significant changes in subcategories involving land include a net decrease of \$9.0 million with the budget units of Transportation, Airports, and Solid Waste having the most significant changes. The structures and improvements to structures subcategories decreased by \$15.6 million with the Capital Improvements Projects experiencing the largest decrease. The areas of equipment, vehicles, and software increased a net \$7.8 million with the Arrowhead Regional Medical Center having the most significant increase in equipment and the Department of Behavioral Health reporting the most significant increase in capitalized software.
- Expenditure Transfer & Reimbursements are changing from a net negative total of \$7.1 million to a net positive balance of \$0.2 million or a net -102.8% change. Transfers are the movement of resources from one fund to another for payment of services received and reimbursements are the amount received as a repayment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a financing source. The significant change is the result of the reclassification of revenues as reimbursements when the services are provided within the same fund which was offset with a substantial increase in transfers for the Board Elective Projects.
- Contingencies and Reserves are increasing by a total of \$57.5 million or 37.8%. Significant increases in contingencies include \$21.1 million in the various Transportation special revenue funds; \$11.4 million in Behavioral Health's special revenue funds; \$8.0 million in Community and Housing special revenue funds; \$6.7 million in Realignment; and \$5.7 million in Master Settlement Agreement special revenue fund. These increases are offset by a \$6.3 million decrease in the Auditor/Controller-Recorder's special revenue funds' contingencies.
- Operating Transfers Out is a method of providing financing from one fund to another for the implementation of a project or program, and is decreasing by \$41.2 million or -14.4%. The most significant decrease includes \$42.8 million in financing from the general fund to Capital Improvement Projects, County Fire Department programs, Transportation Department programs, and Office on Aging programs.



APPROPRIATION SUMMARY BY GROUP/AGENCY

	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
Administrative/Executive Group	894,288,168	1,006,460,701	1,108,725,794
Economic Development Agency	74,023,010	72,158,589	71,494,292
Fiscal Group	71,723,990	81,705,339	84,929,021
Human Services	901,936,598	878,654,528	886,107,661
Law and Justice Group	611,331,930	670,404,702	725,983,383
Public and Support Services Group	332,915,892	476,161,994	481,070,487
Capital Improvement Program	138,855,027	187,965,212	137,057,617
Finance - Other	266,023,541	246,990,032	224,140,274
Total	3,291,098,156	3,620,501,097	3,719,508,529
Budgeted Staffing	17,128.5	17,601.2	18,234.4

The above chart lists appropriation by group / agency. The Finance – Other group includes budget units that are predominately Countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, funding for Board elective projects, financial administration, the restricted funds of Realignment and Prop 172, and some special revenue funds that only appropriate operating transfers out.



Governmental Fund Types

General Fund: The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County's primary operating fund. General Fund – Restricted Financing consists of Prop 172 and Realignment funds.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

Capital Project Funds: Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Proprietary Fund Types

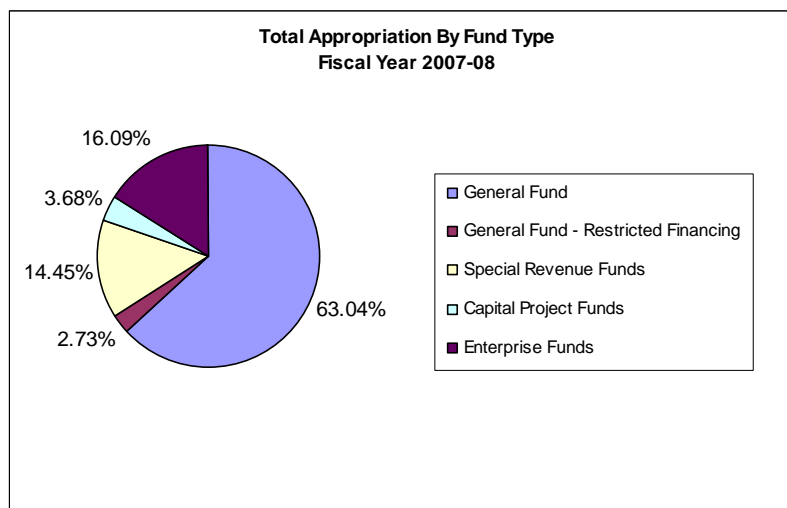
Enterprise Funds: Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds: Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

All funds, except Internal Service Funds, are appropriated. Internal Service Funds have budgets for management purposes only.

APPROPRIATION SUMMARY BY FUND TYPE

	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
General Fund	2,147,355,096	2,147,355,096	2,344,839,832
General Fund - Restricted Financing	123,618,868	123,618,868	101,656,470
Special Revenue Funds	412,223,408	506,727,262	537,348,005
Capital Project Funds	138,855,027	187,965,212	137,057,617
Enterprise Funds	469,045,757	557,755,709	598,606,605
Total	3,291,098,156	3,523,422,147	3,719,508,529
Budgeted Staffing	17,128.5	17,601.2	18,234.4



The matrix below lists the group / agency as depicted in the organizational chart of the county. For each group / agency listed, the various fund types utilized are checked.

	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds
Administrative/Executive Group					
Board of Supervisors	X				
Clerk of the Board	X				
County Administrative Office	X	X		X	
County Counsel	X				
Human Resources	X	X			
Information Services	X				X
Purchasing	X				X
Risk Management					X
Arrowhead Regional Medical Center		X		X	
Behavioral Health	X	X			
Public Health	X	X			
Local Agency Formation Commission	X				
County Schools	X				
Economic Development Agency					
Economic Development	X	X			
Fiscal Group					
Assessor	X	X			
Auditor/Controller-Recorder	X	X			
Treasurer-Tax Collector/Public Administrator	X	X			
Human Services					
Aging and Adult Services	X				
Child Support Services	X				
Human Services	X				
Preschool Services		X			
Veterans Affairs	X				
Law and Justice Group					
County Trial Courts	X	X			
District Attorney	X	X			
Law and Justice Group Administration	X	X			
Probation	X	X			
Public Defender	X				
Sheriff	X	X			
Public and Support Services Group					
Public and Support Services Group Administration	X				
Agriculture/Weights and Measures	X	X			
Airports	X	X			
Architecture and Engineering	X				
County Library		X			
County Museum	X			X	
Facilities Management	X				
Fleet Management					X
Land Use Services	X	X			
Public Works	X	X		X	
Real Estate Services	X	X			
Regional Parks	X	X		X	
Registrar of Voters	X				
Fish and Game Commission		X			
Capital Improvement Program					
Capital Improvement Program			X		
Finance - Other					
County Administrative Office	X	X			



REVENUE SUMMARY

The 2007-08 final county budget is financed from a variety of sources. These sources are listed below. This schedule does not include operating transfers as they are a mechanism for providing financing from one fund to another within the county.

	Actual 2005-06	Final 2006-07	Final 2007-08	Change Between 2006-07 & 2007-08	Percentage Change
REVENUES FOR ALL COUNTY FUNDS					
(Excluding Enterprise Funds)					
Property Taxes	362,870,797	408,839,612	452,466,469	43,626,857	10.67%
Other Taxes	191,355,493	207,443,448	213,852,819	6,409,371	3.09%
State and Federal Aid	1,210,407,593	1,350,558,090	1,360,355,201	9,797,111	0.73%
Charges for Current Services	266,737,405	407,486,747	424,598,195	17,111,448	4.20%
Other Revenue	143,524,868	120,735,152	150,422,929	29,687,777	24.59%
Subtotal	2,174,896,156	2,495,063,049	2,601,695,613	106,632,564	4.27%
ENTERPRISE FUNDS					
Arrowhead Regional Medical Center (ARMC)	285,617,694	348,892,401	361,628,449	12,736,048	3.65%
Medical Center Lease Payment	21,521,301	24,280,903	24,001,225	(279,678)	(1.15%)
ARMC Capital Projects	29,451	-	-	-	- - -
County Museum Store	100,163	133,000	100,000	(33,000)	(24.81%)
Regional Parks Snackbars	76,621	80,500	82,000	1,500	1.86%
Regional Parks Camp Bluff Lake	138,999	188,000	205,200	17,200	9.15%
Solid Waste Management	121,534,862	75,577,813	89,302,811	13,724,998	18.16%
Subtotal	429,019,091	449,152,617	475,319,685	26,167,068	5.83%
Total County Budget	2,603,915,247	2,944,215,666	3,077,015,298	132,799,632	4.51%

Property Taxes

Property taxes are increasing \$43.6 million based on an estimated 12% increase in secured assessed valuation on property and a 12% increase in VLF/Property Tax Swap based on growth estimates provided by the County Assessor's Office and the estimates of a local economist.

Other Taxes

Other taxes are increasing a net \$6.4 million as a result of two noteworthy changes over the prior year: the one-half percent sales tax for Prop 172 revenue increased \$11.0 million offset by a decrease of \$4.9 million in Property Transfer Tax as compared to the 2006-07 final budget.

State and Federal Aid

An overall increase of \$9.8 million is reflected in the revenue category of state and federal aid. This increase is comprised of both increases and decreases in various programs.

Significant increases in State and Federal Aid include:

- \$14.0 million in the Human Services Administrative Claim budget unit of which includes \$20.0 million increase in state public assistance and \$3.0 million in state and federal health aid. These increases are offset by an \$8.9 million decrease in federal welfare administration funds.
- \$6.5 million in federal aid for the airports due to additional funding anticipated from the FAA to finance various capital improvement projects at county airports.
- \$5.8 million in various state and federal grants for the Sheriff-Coroner which are discussed in more detail in the departmental budget.



Significant decreases in State and Federal Aid include:

- \$11.7 million decrease in the Transportation budget unit, which includes the following noteworthy reductions: \$15.0 million in capital grants, \$11.0 million in state traffic congestion, and \$1.7 million in federal aid for disasters. These decreases were offset by a \$15.0 million increase in Proposition 1B highway funds.
- \$7.5 million in state other support reflective of the one-time start up funds received in 2006-07 for the Mental Health Services Act program.
- \$6.9 million in various Human Services' Subsistence budget units which is the result of continued caseload decline.
- \$4.0 million net decrease in Registrar of Voters, which represents a combination of the termination of the \$6.0 million Help America Vote Act (HAVA) state grant, coupled with an anticipated \$2.0 million in state funds for an additional election.

Charges for Current Services

Charges for current services increased overall from the 2006-07 budget year. The most significant increase in departmental business activity consists of \$10.0 million in contract law enforcement services; \$4.5 million in COWCAP charges; and \$2.6 million in election services.

Noteworthy decreases in current services which are a direct result of the slowing of the housing market include \$2.3 million in recording fees and a net decrease of \$1.3 million in micrographic fees.

Other Revenue

Other revenue includes licenses, permits, franchises, fines and penalties, interest earnings, and tobacco settlement funds.

Significant increases in this category include \$12.6 million in anticipated bond proceeds for the Courthouse Retrofit, \$7.8 million anticipated in interest revenue, and \$7.7 million anticipated in excess fine and forfeiture money for the 303 building improvements related to the courthouse project. Additionally, there is an increase of \$2.1 million in the Human Resources Employee Benefits and Services budget unit and \$1.8 million in the Master Settlement agreement budget unit.

Significant decreases include \$2.5 million in long term debt proceeds for Road Operations; \$1.9 million in other court fines reclassified to civil court fees in current services; \$1.2 million in Housing and Community Development revenues; and a decrease of \$1.0 million in the Sheriff's Aviation budget unit due to the completion of the aircraft sale.

Enterprise Funds

Of the seven enterprise funds listed in the revenue summary, Arrowhead Regional Medical Center and Solid Waste Management had the most significant changes.

Arrowhead Regional Medical Center (ARMC) net revenues are expected to grow due to anticipated increases in current services and state revenues attributed by increases in both commercial and private pay inpatient and outpatient volume and an increase in Medi-Cal inpatient services. Additionally, there is an increase in the Realignment allocation to ARMC to fund one-time fixed asset purchases and the automated pharmacy dispensing project.

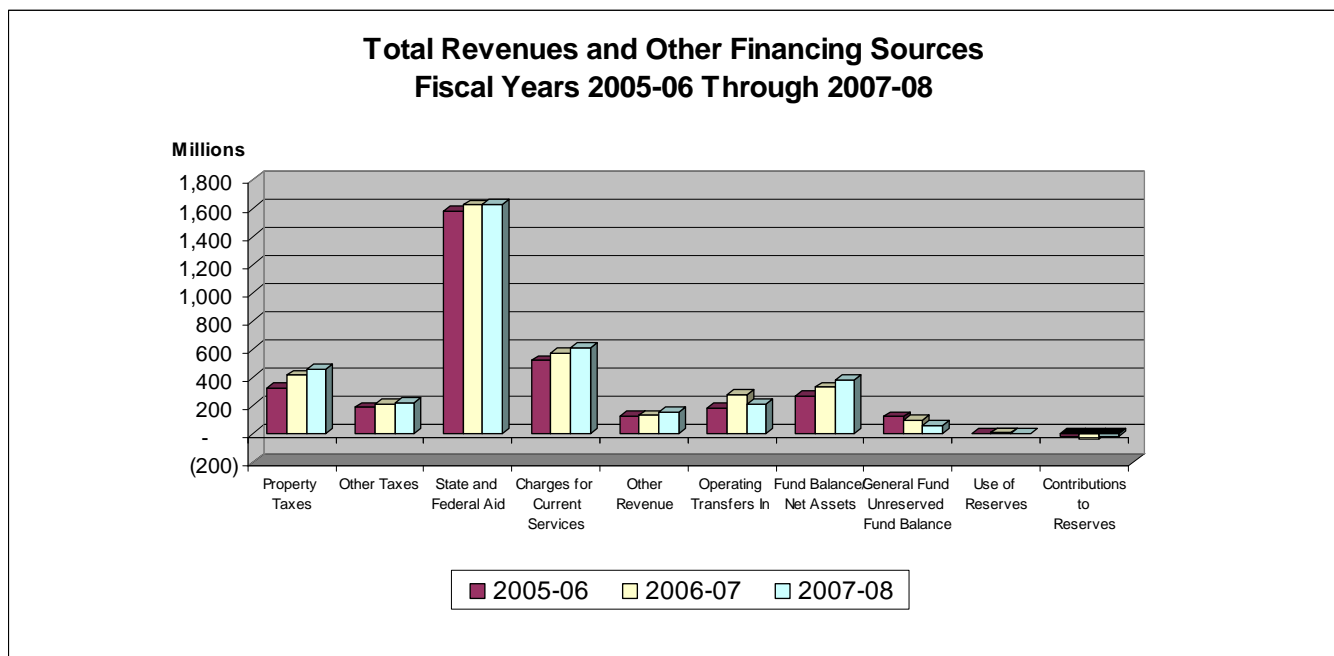
Solid Waste Management revenues increased by \$13.7 million primarily as the result of \$6.7 million from gate fee increases and additional tonnage at the landfills/transfer stations; \$5.6 million in AB 939 fees from expansion of the Comprehensive Disposal Diversion Program; and \$0.8 million from the renewal of franchise agreements.



TOTAL REVENUES AND OTHER FINANCING SOURCES

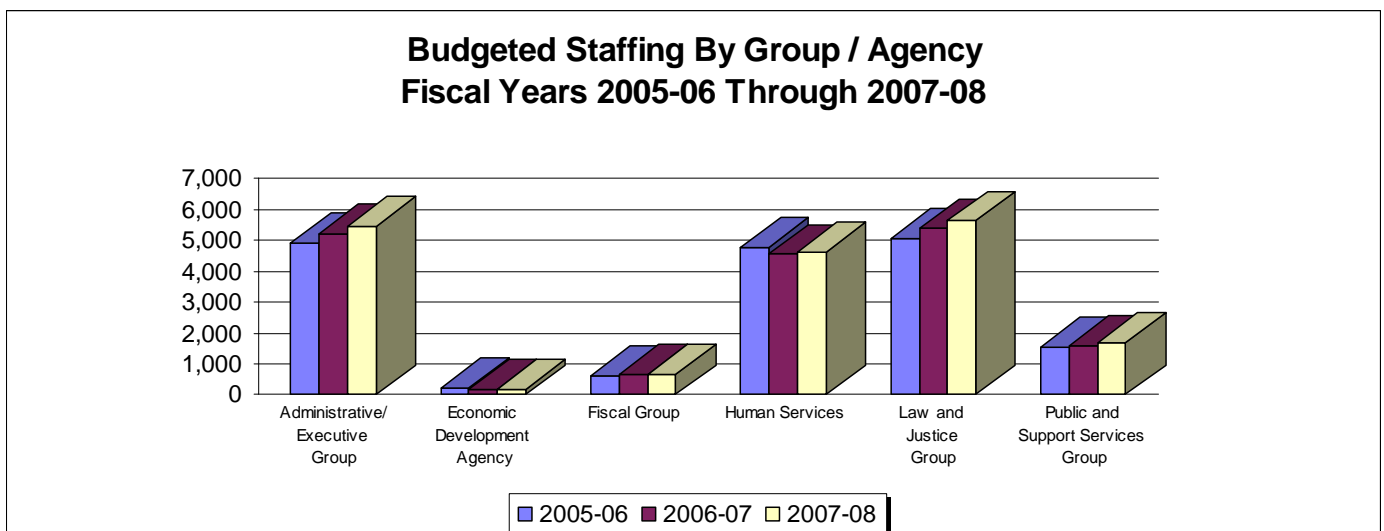
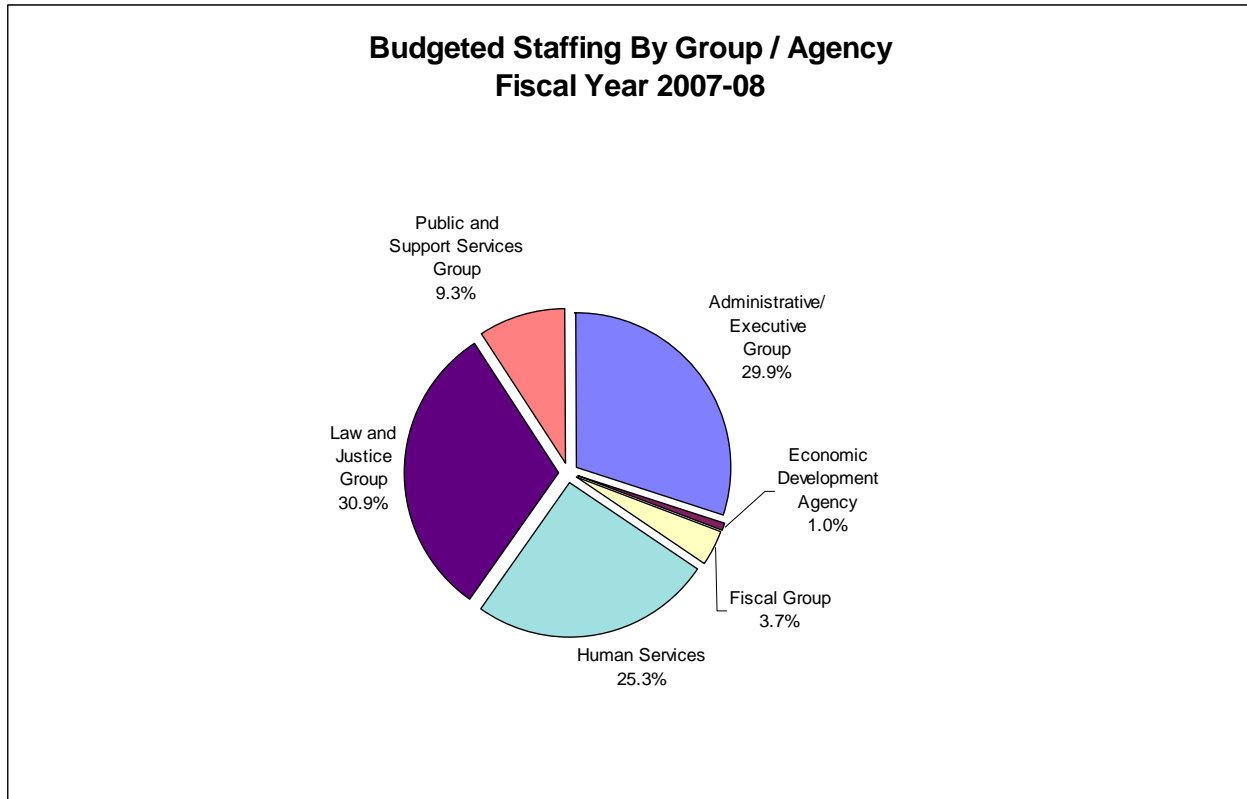
	Fiscal Year 2005-06 Adopted Budget	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget
<u>Revenues</u>			
Property Taxes	327,126,671	415,936,297	459,810,947
Other Taxes	186,509,549	207,443,448	220,972,869
State and Federal Aid	1,581,198,401	1,622,031,175	1,630,152,790
Charges for Current Services	518,800,040	568,348,265	611,222,886
Other Revenue	125,640,239	130,456,481	154,855,806
Total Revenues	2,739,274,900	2,944,215,666	3,077,015,298
<u>Other Financing Sources</u>			
Operating Transfers In	179,256,696	275,104,245	214,315,375
Fund Balance/Net Assets	270,078,921	329,871,416	383,609,334
General Fund Unreserved Fund Balance	121,637,030	100,698,815	56,425,431
Use of Reserves	2,253,702	6,063,708	2,688,000
Contributions to Reserves	(21,403,093)	(35,452,753)	(14,544,909)
Total Other Financing Sources	551,823,256	676,285,431	642,493,231
Total Revenues and Other Financing Sources	3,291,098,156	3,620,501,097	3,719,508,529

The revenue and other financing sources schedule above includes all county funds. This schedule includes operating transfers, which are the mechanism for providing financing from one fund to another within the county. Additionally, this schedule summary provides the fund balance/net assets of all non-general funds, the general fund's unreserved fund balance, as well as, the use of, and the contributions to the county's reserves as designated in the financing plan.



BUDGETED STAFFING SUMMARY

The graph below depicts the budgeted staffing by group / agency for the current fiscal year. The graph at the bottom illustrates the budgeted staffing for the current as well as the prior two fiscal years.



	Change from Previous Year					
	2006-07 Budgeted Staffing	Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change	2007-08 Budgeted Staffing	Percentage Change
General Fund	12,913.1	446.0	122.0	568.0	13,481.1	4.4%
Other Funds	4,688.1	65.2	0.0	65.2	4,753.3	1.4%
Total	17,601.2	511.2	122.0	633.2	18,234.4	

Significant changes from the previous year in caseload driven, grant or special funded programs include the following:

General Fund

- **County Administrative Office – Health Administration** increased budgeted staffing by 16.8 positions as a result of the transfer of 18.8 positions from the Inland Counties Emergency Medical Agency (ICEMA) previously reflected within the Public Health budget unit. These additions were offset by the transfer of 1.0 Deputy Administrative Officer and 1.0 Executive Secretary to the County Administrative Office budget to better align the administrative support provided.
- **Behavioral Health** increased budgeted staffing by 122.5 positions primarily as a result of 85.9 mid-year Board of Supervisor approved budgeted positions added for the Mental Health Services Act program, an addition of 12.0 for the Mentally Ill Offender Crime Reduction program, 11.0 Public Service Employee and intern positions, and 13.0 positions for various departmental needs.
- **Public Health** increased budgeted staffing by 63.9 positions as a result of staff previously budgeted as part time who are reflected at full time in 2007-08. The department has received additional general fund support to cover any salary and benefit increases that existing state and federal grants, for programs such as Tuberculosis Control, Immunization and Black Infant Health, are unable to cover within their existing allocations. Additionally, the department received funding for 4.0 positions in two approved policy items.
- **Aging and Adult Services – Aging Program** budgeted staffing increased by 30.6 positions. This addition is primarily due to the addition of 20.9 contract training positions in the Senior Training and Employment Program.
- **Human Services Administrative Claim** budgeted staffing increased by 26.0 positions. Of these, Transitional Assistance is increasing by 8.8 budgeted positions, Children's Services is reducing by 4.0 budgeted positions, Aging and Adult Services is increasing by 6.0 positions, and Human Services support divisions are increasing 15.2 budgeted positions. The overall increase in budgeted positions is the result of increases in funding in 2007-08.
- **District Attorney – Criminal** budgeted staffing increased by 57.0 positions, including: 8.0 positions approved mid-year by the Board of Supervisors; 17.5 positions associated with new judgeships expected in 2007-08, which will be filled only when actual judicial appointments are made; 12.0 positions transferred from the department's fines and forfeitures budget units to the main District Attorney budget; 1.0 Deputy District Attorney position that is replacing a contract Grand Jury Advisor (0.5 FTE) who is retiring; 1.0 Executive Secretary II to support an Assistant District Attorney and; 1.0 Special Assistant Deputy District Attorney assigned to special projects and policy development. The additional costs for these positions is expected to be offset by salary savings resulting from 6.0 top range Deputy District Attorneys leaving the office to become judges in 2006-07 and up to 5.0 more expected in 2007-08. These vacancies will be filled with entry level attorneys creating significant salary savings for the department. Additionally, the department received funding for 17.0 positions in four approved policy items.



- **Public Defender** budgeted staffing increased by 31.6 positions. The department anticipates staffing four new criminal courtrooms in 2007-08 due to increased judgeships. Staffing attributable to the judgeships includes: 6.0 Deputy Public Defenders, 2.6 Office Assistant IIs, and 3.0 Public Defender Investigators. The department will fill these positions only as judgeships are added. Other staffing changes include: the addition of 3.0 Deputy Public Defenders, two for Gang Injunctions; 1.0 Supervising Public Defender Investigator; 1.0 Public Defender Interviewer due to increased workload and; the addition of 3.0 positions due to budgeting positions at full time rather than half time. These additions are partially offset by the deletion of 1.0 Social Services Practitioner and 1.0 Graduate Student Intern. Additionally, the department received funding for 14.0 positions in two approved policy items.
- **Probation Administration, Corrections and Detention** budgeted staffing increased by 54.2 positions, including: 21.0 positions approved mid-year by the Board of Supervisors; 8.5 budgeted staffing in new positions due to program adjustments; 4.2 budgeted staffing for overtime; 20.5 budgeted staffing due to the expansion to full year funding for mandated John Doe II (10.3 budgeted staff) and High Desert Juvenile Hall (10.2 budgeted staff) staff and; 8.0 projected new Superior Court judgeships. These increases will be offset by the deletion of 8.0 budgeted staffing related to program changes including Prop 36 reductions, Camp Heart Bar closure, changes in food service delivery, and the School Probation Officer program.
- **Sheriff-Coroner** increased 63.0 budgeted positions in the caseload driven, grant or special funded programs category, primarily due to 27.5 personnel added for city contracts; 17.5 due to new grants; 31.0 for specialized task forces; 4.3 contract training positions; 4.2 deputy coroner investigators for full-time funding; and 2.3 budgeted positions for drug education programs, which are funded by asset forfeitures; and a decrease of 15.0 IRNET positions (restoration included in the 31.0 task force positions above) and 8.8 inmate welfare positions.

Other Funds

- **Information Services' Network Services Division** staffing increased by 13.0 budgeted positions. The increases in staffing include the transfer of 5.1 Wide Area Network positions from the Computer Operations budget unit to better align program services as well as the addition of 11.0 budgeting staffing to provide increased support for various program services. These additions are offset by the transfer of 2.1 Multimedia Coordinators and 1.0 Network Services Supervisor to the general fund to support the multimedia program at the county government center.
- **Arrowhead Regional Medical Center** budgeted staffing decreased by 27.4 positions due to a decrease of 16.0 Radiology Program Trainees/Interns (interns in this program are no longer compensated), a transfer of 2.0 Human Resource Officers to the County Human Resources Department, a decrease of 6.4 nursing positions to cover additional costs associated with the mid-year conversion of Per-Diem Registered Nursing positions to regular positions, and the remaining net decrease of 3.0 positions due to various staffing adjustments based on departmental needs.
- **Preschool Services** budgeted staffing increased by 13.8 positions primarily due to an increase in Contract Teacher III positions, which are required to meet future credential requirements mandated by the department's federal funding source.
- **County Library** budgeted staffing increased by 25.1 budgeted positions, including: 7.8 positions due to fewer than anticipated vacancies in the professional positions as well as improved hiring practices that should allow the Library to fill vacant positions much sooner and; 17.3 positions due to increased workload demands at both new and existing branches of the library.
- **Public Works - Road Operations** increased by 25.9 budgeted positions primarily as a result of 5.0 new positions being added to the Contracts Division due to increased workload caused by additional Proposition 42 and Proposition 1B funding; 4.0 new positions added for the Design Division due to increased workload caused by additional Proposition 42, Proposition 1B, and Development Mitigation Plan funding; and 9.0 new positions for the Operations Division because the increased revenue from Proposition 42, Proposition 1B, and Local Transportation Funds has resulted in additional yard chip seal and overlay projects that are administered by the Operations Division. The remaining additional positions are necessary to provide support for various program services.



Significant changes from the previous year in all other programs include the following:

General Fund

- **Registrar of Voters** increased by a net 11.5 budgeted positions due to an increase of 3.8 various regular positions for anticipated overtime, 4.3 extra-help positions, and 2.7 various clerical positions. These increases are necessary in order to conduct three major elections in 2007-08 and will be partially offset by savings from clerical positions that are budgeted at lower step levels because of staff turnover. Additionally, a net 0.7 budgeted positions were added as the result of two approved policy items.
- **Sheriff – Coroner** increased an additional 36.6 budgeted positions, including 22.1 temporary positions for workload due to long-term vacancies and disability; 10.7 station officers and custody specialists for jails at outlying stations; 1.8 administrative positions for fiscal and clerical support; 1.0 communication manager; and 1.0 contract armorer for the academy.

Countywide staffing changes are outlined by county department in the following chart:



BUDGETED STAFFING SUMMARY

Department	2005-06 Final Budget	2006-07 Final Budget	2007-08 Final Budget	Change Between 2006-07 & 2007-08
ADMINISTRATIVE/EXECUTIVE GROUP				
<u>GENERAL FUND</u>				
BOARD OF SUPERVISORS	58.0	60.5	57.3	(3.2)
BOARD OF SUPERVISORS - LEGISLATION	1.0	2.0	5.0	3.0
CLERK OF THE BOARD	14.0	15.0	16.0	1.0
COUNTY ADMINISTRATIVE OFFICE	18.0	21.3	25.0	3.7
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMINISTRATION	3.0	3.0	3.0	0.0
COUNTY ADMINISTRATIVE OFFICE - HEALTH ADMINISTRATION	4.0	4.0	20.8	16.8
COUNTY COUNSEL	66.7	67.6	71.6	4.0
HUMAN RESOURCES	88.6	100.0	103.0	3.0
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH & WELLNESS	13.9	18.2	18.5	0.3
INFORMATION SERVICES - APPLICATION DEVELOPMENT	102.4	102.8	107.5	4.7
PURCHASING	16.0	15.0	15.0	0.0
BEHAVIORAL HEALTH	549.6	644.2	766.7	122.5
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	75.8	76.4	85.8	9.4
PUBLIC HEALTH	860.4	840.4	904.3	63.9
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	158.0	171.4	180.9	9.5
SUBTOTAL GENERAL FUND	2,029.4	2,141.8	2,380.4	238.6
<u>OTHER FUNDS</u>				
HUMAN RESOURCES - EMPLOYEE BENEFITS & SERVICES	33.0	33.0	32.0	(1.0)
HUMAN RESOURCES - COMMUTER SERVICES	2.5	2.5	3.0	0.5
INFORMATION SERVICES - COMPUTER OPERATIONS	126.9	135.1	134.1	(1.0)
INFORMATION SERVICES - NETWORK SERVICES	93.0	105.0	118.0	13.0
PURCHASING - SURPLUS PROPERTY & STORAGE OPERATIONS	13.0	8.0	5.0	(3.0)
PURCHASING - MAIL/COURIER SERVICES	33.0	31.0	30.0	(1.0)
PURCHASING - PRINTING SERVICES	16.0	16.0	18.0	2.0
RISK MANAGEMENT - OPERATIONS	70.5	71.0	72.0	1.0
ARROWHEAD REGIONAL MEDICAL CENTER	2,491.0	2,683.4	2,656.0	(27.4)
SUBTOTAL OTHER FUNDS	2,878.9	3,085.0	3,068.1	(16.9)
TOTAL ADMINISTRATIVE/EXECUTIVE GROUP	4,908.3	5,226.8	5,448.5	221.7
ECONOMIC DEVELOPMENT AGENCY				
<u>GENERAL FUND</u>				
ECONOMIC DEVELOPMENT	40.0	47.0	48.0	1.0
SUBTOTAL GENERAL FUND	40.0	47.0	48.0	1.0
<u>OTHER FUNDS</u>				
COMMUNITY DEVELOPMENT AND HOUSING	50.0	49.0	49.5	0.5
WORKFORCE DEVELOPMENT	140.5	84.0	84.0	0.0
SUBTOTAL OTHER FUNDS	190.5	133.0	133.5	0.5
TOTAL ECONOMIC DEVELOPMENT AGENCY	230.5	180.0	181.5	1.5



BUDGETED STAFFING SUMMARY

Department	2005-06 Final Budget	2006-07 Final Budget	2007-08 Final Budget	Change Between 2006-07 & 2007-08
FISCAL GROUP				
<u>GENERAL FUND</u>				
ASSESSOR	175.6	204.5	203.5	(1.0)
AUDITOR/CONTROLLER-RECORDER	203.6	210.6	216.8	6.2
TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR	179.9	199.4	201.1	1.7
SUBTOTAL GENERAL FUND	559.1	614.5	621.4	6.9
<u>OTHER FUNDS</u>				
ASSESSOR - STATE/COUNTY PROPERTY TAX ADMINISTRATION PROGRAM	28.3	28.3	28.3	0.0
AUDITOR/CONTROLLER-RECORDER - ELECTRONIC RECORDING	0.0	0.0	1.0	1.0
AUDITOR/CONTROLLER-RECORDER - RECORDER RECORDS	0.0	0.0	1.0	1.0
AUDITOR/CONTROLLER-RECORDER - SYSTEMS DEVELOPMENT	8.0	17.0	20.0	3.0
AUDITOR/CONTROLLER-RECORDER - RECORDS MANAGEMENT	1.0	0.0	0.0	0.0
SUBTOTAL OTHER FUNDS	37.3	45.3	50.3	5.0
TOTAL FISCAL GROUP	596.4	659.8	671.7	11.9
HUMAN SERVICES				
<u>GENERAL FUND</u>				
AGING AND ADULT SERVICES - AGING PROGRAM	101.9	103.2	133.8	30.6
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	27.0	28.0	30.0	2.0
CHILD SUPPORT SERVICES	496.0	461.5	452.0	(9.5)
HUMAN SERVICES ADMINISTRATIVE CLAIM	3,607.3	3,425.0	3,451.0	26.0
VETERANS AFFAIRS	18.0	18.0	18.0	0.0
SUBTOTAL GENERAL FUND	4,250.2	4,035.7	4,084.8	49.1
<u>OTHER FUNDS</u>				
PRESCHOOL SERVICES	541.8	514.1	527.9	13.8
SUBTOTAL OTHER FUNDS	541.8	514.1	527.9	13.8
TOTAL HUMAN SERVICES	4,792.0	4,549.8	4,612.7	62.9
LAW AND JUSTICE GROUP				
<u>GENERAL FUND</u>				
DISTRICT ATTORNEY - CRIMINAL	422.0	449.0	506.0	57.0
DISTRICT ATTORNEY - CHILD ABDUCTION AND RECOVERY	6.3	6.0	6.0	0.0
LAW AND JUSTICE GROUP ADMINISTRATION	1.0	1.0	1.0	0.0
PROBATION - ADMIN, CORRECTIONS & DETENTION	1,137.2	1,179.2	1,233.4	54.2
PUBLIC DEFENDER	197.0	221.0	252.6	31.6
SHERIFF-CORONER	3,207.1	3,426.6	3,526.2	99.6
SUBTOTAL GENERAL FUND	4,970.6	5,282.8	5,525.2	242.4
<u>OTHER FUNDS</u>				
DISTRICT ATTORNEY - SPECIAL REVENUE	33.0	37.8	28.0	(9.8)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	52.0	50.8	55.0	4.2
SHERIFF-CORONER - SPECIAL REVENUE	12.0	12.0	18.0	6.0
SUBTOTAL OTHER FUNDS	97.0	100.6	101.0	0.4
TOTAL LAW AND JUSTICE GROUP	5,067.6	5,383.4	5,626.2	242.8



BUDGETED STAFFING SUMMARY

Department	2005-06 Final Budget	2006-07 Final Budget	2007-08 Final Budget	Change Between 2006-07 & 2007-08
PUBLIC AND SUPPORT SERVICES GROUP				
<u>GENERAL FUND</u>				
PUBLIC AND SUPPORT SERVICES GROUP ADMINISTRATION	9.0	10.0	10.0	0.0
AGRICULTURE/WEIGHTS AND MEASURES	63.5	65.7	69.3	3.6
AIRPORTS	28.0	29.5	29.5	0.0
ARCHITECTURE AND ENGINEERING	23.5	26.3	28.0	1.7
COUNTY MUSEUM	53.7	52.7	51.6	(1.1)
FACILITIES MANAGEMENT	148.7	153.4	154.9	1.5
FACILITIES MANAGEMENT - UTILITIES	1.0	1.0	1.0	0.0
LAND USE SERVICES - ADMINISTRATION	11.0	11.0	12.0	1.0
LAND USE SERVICES - CURRENT PLANNING	30.0	33.0	34.0	1.0
LAND USE SERVICES - ADVANCE PLANNING	18.0	18.0	18.0	0.0
LAND USE SERVICES - BUILDING AND SAFETY	85.2	95.2	98.2	3.0
LAND USE SERVICES - CODE ENFORCEMENT	35.0	40.0	41.0	1.0
LAND USE SERVICES - FIRE HAZARD ABATEMENT	22.0	22.0	22.0	0.0
PUBLIC WORKS - SURVEYOR	41.9	41.9	42.6	0.7
REAL ESTATE SERVICES	24.0	24.0	24.0	0.0
REGIONAL PARKS	118.1	127.6	133.7	6.1
REGISTRAR OF VOTERS	40.1	40.0	51.5	11.5
SUBTOTAL GENERAL FUND	752.7	791.3	821.3	30.0
<u>OTHER FUNDS</u>				
COUNTY LIBRARY	215.8	226.2	251.3	25.1
COUNTY MUSEUM - MUSEUM STORE	2.0	1.8	2.0	0.2
FLEET MANAGEMENT - GARAGE	96.4	92.0	94.5	2.5
FLEET MANAGEMENT - MOTOR POOL	4.0	4.0	4.0	0.0
PUBLIC WORKS - ROAD OPERATIONS	367.4	386.5	412.4	25.9
PUBLIC WORKS - SOLID WASTE MANAGEMENT	84.2	95.8	99.9	4.1
REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS	1.0	1.0	1.2	0.2
REGIONAL PARKS - CAMP BLUFF LAKE	3.9	1.5	5.9	4.4
REGIONAL PARKS - COUNTY TRAIL SYSTEM	5.0	0.0	0.0	0.0
REGIONAL PARKS - SNACK BARS	1.3	1.3	1.3	0.0
SUBTOTAL OTHER FUNDS	781.0	810.1	872.5	62.4
TOTAL PUBLIC AND SUPPORT SERVICES GROUP	1,533.7	1,601.4	1,693.8	92.4
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	12,602.0	12,913.1	13,481.1	568.0
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	4,526.5	4,688.1	4,753.3	65.2
COUNTY DEPARTMENTS GRAND TOTAL	17,128.5	17,601.2	18,234.4	633.2



CAPITAL IMPROVEMENT PROGRAM

The County's Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The capital project funds listed in the appropriation summary schedules in this Budget Summary and presented in the chart below represent those managed by the Architecture and Engineering Department and accounted for in the two funds, CJV and CJS. The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works Solid Waste Management and Transportation Divisions. Additionally, there are two enterprise funds, which are part of the Arrowhead Regional Medical Center (ARMC), that are used for capital projects of ARMC.

In the 2007-08 final budget \$33.3 million in new projects are funded, primarily using County discretionary funds. Major new projects using discretionary funds include an ongoing set aside of \$4.0 million for a new Central Juvenile Hall on the existing Gilbert Street campus site in San Bernardino, additional funding in the amount of \$1.6 million to complete the new Crestline Library, and \$1.3 million for design and Phase I of a new animal care and adoption facility at the Devore Animal Shelter. Various other infrastructure projects will improve water systems, provide emergency generators for communication sites, improve recreation facilities, expand parking lots, replace roofs, improve heating, ventilation and air conditioning systems, and remodel and expand various office buildings.

Projects approved in prior years but not yet completed total an additional \$103.8 million. The four major carryover projects are the \$40.8 million seismic retrofit and remodel of the historic County Courthouse in San Bernardino to be funded primarily by an existing civil filing fee surcharge, the \$7.2 million construction of the Hall of Geological Wonders at the County Museum in Redlands, the \$6.4 million expansion and remodel of the Fontana Courthouse, and \$4.6 million for the design to add 896 beds to the Adelanto Jail Facility. The total estimated budget for the jail expansion is \$111.0 million and a \$7.0 million set aside has been included in the budget financing plan for debt service.

Capital Project Funds

		Nbr of Projects	General Fund Local Cost	Other Discretionary Funding	Restricted Funding	Total
New Projects						
Contributions to Non-Owned Projects	CJV	1	437,500	-	-	437,500
Structures and Improvements	CJV	48	22,362,500	962,500	9,500,800	32,825,800
Total New Projects		49	22,800,000	962,500	9,500,800	33,263,300
Carryover Projects						
Contribution to Other Agencies	CJV	14	5,188,009	-	-	5,188,009
Contribution to Non-Owned Projects	CJV	3			707,793	707,793
Structures and Improvements	CJV	185	44,900,532	15,218,234	37,571,088	97,689,854
High Desert Juvenile Detention Center	CJS	1	208,661	-	-	208,661
Total Carryover Projects		203	50,297,202	15,218,234	38,278,881	103,794,317
Total Capital Project Funds		252	73,097,202	16,180,734	47,779,681	137,057,617

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of this budget book.



GENERAL FUND FINANCING

County general fund operations are financed with four major types of financing sources: departmental revenue, Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.

Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health. Proposition 172 revenue is restricted and is used solely for financing the Sheriff, District Attorney, and Probation departments. Realignment revenue is also restricted and used in financing mental health, social services and health programs within the County.

The balance of departmental costs not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue is considered local cost. Local cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments via local cost is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes. One is to ensure that the county can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. The second purpose is to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following sections describe the economic indicators that are factored into the County's financing plan, a brief overview of the State budget, and more importantly, how the State budget impacts the County's primary categories of service (health, safety, well-being, and quality of life). Additionally, details related to Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue, as they relate to financing general fund departments, are presented. Furthermore, detailed information is included on the contributions and uses of county general fund contingencies and reserves for 2006-07 and the proposed contributions and uses of general fund contingencies and reserves for 2007-08.

ECONOMIC INDICATORS

San Bernardino County is part of an Inland Empire economy that is one of the strongest in the U.S. In 2006, the area added 48,150 jobs (up 3.9%) or 22% of those created in California. For the first seven months of 2007, the State put the growth at 41,800 jobs indicating that the strength continues despite the recent slowdown in home construction. In fiscal year 2006, San Bernardino County's retail sales totaled \$31.2 billion, up 11.9%. That was well above the 7.4% growth in the State. The County's per capita sales of \$15,840 compared to the State's average of \$15,245. The high retail sales levels are, in part, the result of the region's low living costs for a Southern California area. The median family income in 2006 was estimated at \$58,073, putting it above Los Angeles County (\$56,930) but below California (\$64,563). However, after one year's amortization on the mortgage for the median home, the disposable income remaining in San Bernardino County is \$34,817 versus \$31,101 in Orange County and \$18,218 in Los Angeles County.

Finally, San Bernardino County's assessed valuation is up 15.9% for fiscal year 2008 or \$23.8 billion. This was the second largest growth rate and largest absolute increase in the County's history. While home construction has slowed, other real estate sectors have not. Commercial developers are well behind meeting the needs of past population growth. Office operations are now migrating inland to meet the demands of the area's 4.1 million people. There is 2.4 million square feet under construction in San Bernardino County (19.4% of Southern California's total). There is 15.9 million square feet of industrial under construction in the County (51.9% of Southern California's total) as it expands in concert with the need for facilities to handle the rising volumes of imports through Southern California's ports.



STATE OF CALIFORNIA'S BUDGET

The 2007 Budget Act signed by Governor Schwarzenegger on August 24, 2007, includes the largest reserve of any budget act in the State's history. The May Revision proposed a total reserve of \$2.2 billion. Due to the shortfall in revenue collections that came to light in June, and in recognition of the state's continuing structural deficit and other potential threats, the Legislature took actions to reduce spending and increase funds available, thereby increasing the total reserve to an unprecedented \$3.4 billion. The Governor further reduced spending with \$703 million in General Fund vetoes, raising the total reserve to \$4.1 billion. As a result, General Fund spending growth in this budget is held to \$0.6 billion, or 0.6 %.

Despite the modest year-over year increase in General Fund spending in the Budget Act, it still fully funds K-12 education (providing a 3.4 % increase in per pupil spending from all funds), law enforcement and the Governor's compacts with higher education and the judiciary. It also continues the commitment to reform the state's prison system by reducing recidivism, improving prison health care and reducing overcrowding. The Budget Act also continues the commitment to improve the state's critical infrastructure through prudent use of the general obligation bonds authorized by the people in 2006.

Source: The California Department of Finance

STATE IMPACT TO THE COUNTY'S ADOPTED BUDGET

Health

Department of Behavioral Health- Integrated Services for Homeless Adults, AB 2034

The 2007-08 Budget Act eliminated the entire \$54.8 million of state funding for the Integrated Services for Homeless Adults with Severe Mental Illness Program. The elimination of this program will result in a \$1,034,000 decrease in funding for the Department of Behavioral Health (DBH). The California Mental Health Director's Association is working with DBH to explore one-time funding sources to fund 2007-08 expenses related to this program. DBH anticipates funding these program expenses in future years through Realignment and/or salary and contract savings.

Department of Behavioral Health and Probation Department – Proposition 36

The 2007-08 State Budget Act reduces available Proposition 36 (The Substance Abuse and Crime Prevention Act of 2000) funding. Proposition 36 programs are operated through both DBH and the Probation Department. The overall reduction to county Proposition 36 programs is \$1.5 million, which includes a reduction of approximately \$886,000 to DBH and approximately \$644,000 to Probation. DBH and Probation will utilize Offender Treatment Plan (OTP) fund balance of \$1,303,642 to replace the majority of this year's loss of funding. DBH will use salary savings and increased client fees to cover the net reduction in revenue of approximately \$70,000. The net reduction in revenue to Probation of approximately \$160,000 will result in the reassignment of one vacant probation officer and one office assistant. The Proposition 36 Steering Committee will continue to plan for 2008-09 reductions.

Department of Public Health – Outreach, Enrollment, Retention, and Utilization Program

For 2007-08, the Governor line-item vetoed \$34.6 million in funding for the Outreach, Enrollment, Retention and Utilization Program. The State Budget Act of 2006 appropriated funds to the California Department of Health Services (DHS) to increase the number of children enrolled and maintained in Medi-Cal and Healthy Families. DHS allocated these funds to counties to conduct activities targeted at low income families with uninsured children during 2006-07, 2007-08, and 2008-09. The reduction for the current fiscal year constitutes a revenue loss to the County of \$2.0 million. As a result of this loss, the Department will forego all planned expenditures related to this program, including countywide advertising and subcontractor agreements for outreach activities. Additionally, the Department will reassign all filled positions to existing vacancies within the Department.



Department of Public Health – Local Public Health Funding

The 2007-08 Budget Act cuts allocations to local public health departments for local pandemic influenza preparedness and response planning by \$8.5 million. This funding first became available to local jurisdictions upon approval of SB 490, passed in May 2006. This cut constitutes one-half of the allocation originally included in the budget, resulting in a revenue loss to the county of \$215,000. As a result of this loss, the Department will reduce planned expenditures, including purchase of small equipment, vaccines, and contracted training.

Safety

District Attorney and Sheriff – Indian Gaming Special Distribution Fund

The 2007-08 State Budget Act eliminated funds for the Indian Gaming Special Distribution Fund because a state audit questioned whether some funds were going to projects with little connection to casino impact. Funds allocated from this grant are issued to eligible recipients at the end of each fiscal year and are applied as revenue in the following fiscal year. The District Attorney's Office and Sheriff's Department received a disbursement in June of 2007 for 2007-08 expenses. This disbursement should not be impacted by the present budget action. However, if the Indian Gaming funds are not restored by legislative action, the impact to the District Attorney's Office and Sheriff's Department in 2008-09 will be approximately \$200,000 and \$475,000 respectively. The Sheriff's allocation offsets approximately 35% of the patrol costs at San Manuel Indian Gaming and Bingo. In addition, the Sheriff contracts directly with San Manuel for the remaining costs. It is possible that the impact to the Sheriff's Department would be mitigated by an increase in that contract. Meanwhile, there has been legislative action taken to restore this fund (SB 493), but it has been delayed until the next legislative session in January. With this delay, there are concerns that the bill may become wrapped into larger Indian Gaming issues. There is also concern that even if the fund is restored in January or later, it will be difficult for counties to process the grant.

District Attorney – California Witness Protection Program (CWPP)

The recent passage of Senate Bill 82 (SB 82) regarding the CWPP includes language that will require a 25% local match on all claims submitted for payment by the CWPP. In 2006-07, the District Attorney's Office paid out \$64,661 in CWPP claims and is expecting this amount to increase significantly in 2007-08. The 25% match will increase the District Attorney's operating expense budget by approximately \$20,000. This additional cost will be absorbed within the District Attorney's Office existing budget allocation and will not require any additional General Fund financing.

Probation and Public Defender– Juvenile Justice Realignment (SB 81)

Senate Bill 81 transfers State responsibility for certain non-violent juvenile offenders (offenders not included in Welfare and Institutions Code Section 707 (b)) to the control and supervision of counties. The Probation Department initially anticipates taking responsibility for the management of 10 additional offenders due to this change and expects an additional 2 to 3 offenders per month on an ongoing basis. Probation will manage these offenders either in juvenile hall or a placement facility. In addition, the Department will be refurbishing 20 beds at Central Juvenile Hall as a result of this change. For this transfer of responsibility, the Probation Department will receive approximately \$1.6 million in Juvenile Justice Realignment Funding from the State in 2007-08. State funding for this realignment will increase to approximately \$6.8 million by 2009-10 and remain static thereafter.

As a result of SB 81, the Public Defender's Office would be responsible to include in its caseload this population in the event non-violent juvenile offenders remain incarcerated or released on probation/paroled as outlined by this legislation. The caseload and staff costs associated with the legislation are difficult to project at this time.

Sheriff's Department – Booking Fee Alternative and AB 900

The Booking Fee Alternative will provide approximately \$3.4 million in revenue to offset the collection of booking fees. This detention facilities revenue will replace local cost in the Sheriff Department's budget. Details surrounding jail construction funding approved in AB 900 will be released at a future date. A 25% match will be



required for facilities approved for construction, and priority funding consideration will be given to counties that provide a site for construction of a 500-bed state prisoner reentry facility.

Well-Being

Department of Workforce Development and Economic Development - Dislocated Worker, Adult, and Youth Allocations

As a result of the State's 2007-08 Budget Act, the county's Department of Workforce Development (DWD) will receive a reduction in funding in the amount of \$920,581. This reduction is primarily due to a 15% decrease for the Dislocated Worker allocation and at least a 4% decrease in both the Adult and Youth allocations that the State of California received from the Department of Labor for Program Year 2007-08. Since business services are provided by the County's Department of Economic Development (ED) on behalf of DWD, these budget reductions will also directly impact ED's budget by approximately \$250,000. Both departments plan to address this reduction chiefly through the elimination of vacant budgeted positions.

Human Services Group – Various Social Services

Funding from the State for Social Services provided by the County has remained level in 2007-08. Originally the State Budget Act allocated an additional \$12.0 million for Adult Protective Services, which would have resulted in an additional \$1.0 million for the county. Additionally, the Governor originally proposed providing annual increases to county funding equivalent to the salary and benefit increases provided to the state employee Bargaining Unit 1. Both of these increases were removed from the final State Budget Act. Finally, the Governor vetoed \$23.0 million that would have funded county hardware replacement and help desk staff in human services administration. This will result in a decrease of \$150,000 to the county. As costs continue to increase each year and allocations remain flat, it becomes more difficult for the Human Services Group to run the programs they are mandated to provide.

Quality of Life

County Library – Public Library Fund and Inter Library Loan Reimbursement

The County Library expects to lose approximately \$300,000 in state aid with the Governor's cuts. For 2007-08, the Library estimated receipt of \$665,000 from the Public Library Fund. The revised estimate is \$447,000 – a reduction of \$218,000. The Library estimated it would receive \$295,000 in Inter-Library Loan Reimbursement. However, the revised estimate is \$215,000, which is a reduction of \$80,000.

Other

Mandate Reimbursement Delay

The Mandate Reimbursement Delay will affect the manner in which the state reimburses local governments through the Senate Bill 90 (SB 90) process. Departments who provide SB 90 services are afforded the opportunity to secure full reimbursement for programs mandated by the state. Funds for SB 90 services will not be eliminated and should not impact departmental budgets; however, a change to the reimbursement process will take effect in 2007-08. Current practice has been to reimburse an estimated amount for the current budget year, and then true up to the actual in the next budget year. The new process permits the state to delay mandate reimbursements until the year after the mandate has been performed, deferring payment for current year costs to the next fiscal year. The only mandate payments included in the budget are the true up amounts for mandates performed in 2006-07.



PROPOSITION 172

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the state property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. Pursuant to Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the county.

On August 22, 1995, the County of San Bernardino Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the county's 95% share of Prop 172 revenue, consistent with Government Code Section 30052 and authorized the Auditor/Controller to deposit the county's portion of the Prop 172 revenue as follows:

➤	Sheriff	70.0%
➤	District Attorney	17.5%
➤	Probation	12.5%

Prop 172 revenue currently presents a significant funding source for the Sheriff, District Attorney, and Probation Departments. Each year, as part of the budget development process, projections of Prop 172 growth are developed based on staff analysis of revenue trends and forecasts provided by outside economists.

Growth in Prop 172 revenue is used first to fund mandated cost increases in these departments, including MOU, retirement, worker's compensation and insurance costs. In most years, the mandated cost increases consume the vast majority of Prop 172 revenue growth and all Prop 172 revenue is distributed to the designated departments for those increased costs.

In some fiscal years, actual Prop 172 revenue exceeds budgeted amounts and is considered excess Prop 172 revenue. All excess Prop 172 revenue is set aside in a restricted financing fund by department and is available to meet other high priority needs as recommended by the department and approved by the Board of Supervisors.

On February 13, 2007, the Board of Supervisors approved a policy which requires the county to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted revenue. This 10% contingency was created to ensure funding for these public safety departments should the county experience Prop 172 revenue shortfalls in the future. These contingencies will be maintained in the respective department's restricted financing fund.

The chart below illustrates the beginning fund balance and ending fund balance of each restricted financing fund by department as well as projected 2007-08 revenue, including interest, and planned 2007-08 expenditures from this fund.

	Beginning Fund Balance (AAG)	2006-07 Unprocessed Departmental Usage	2007-08 Budgeted Revenue	2007-08 Budgeted Departmental Usage	Estimated Ending Fund Balance	10% Contingency Target	Excess/(Shortfall) in Contingency Target (AAG)
Sheriff	7,507,656		117,950,000	(116,150,000)	9,307,656	11,795,000	(2,487,344)
District Attorney	5,103,368	(1,710,095)	29,487,500	(29,312,500)	3,568,273	2,948,750	619,523
Probation	3,546,363		21,062,500	(20,937,500)	3,671,363	2,106,250	1,565,113
Total	16,157,387	(1,710,095)	168,500,000	(166,400,000)	16,547,292	16,850,000	(302,708)



Prop 172 budgeted revenue and interest for all three departments in 2007-08 is \$168.5 million (\$167.5 million in Prop 172 receipts and \$1.0 million in interest revenue). The applicable department's budgeted appropriation is \$166.4 million primarily due to funding mandated costs. The 2007-08 ending fund balance for departments is estimated at \$16.6 million.

The Sheriff's Department currently does not have sufficient Prop 172 revenues in their restricted financing fund to meet their 10% targeted contingency amount of approximately \$11.7 million. The County Administrative Office has developed a five-year plan to ensure that the 10% contingency is reached for the Sheriff Department and in 2007-08, the Sheriff's Department will set-aside \$1.1 million of their ongoing Prop 172 revenue into their restricted financing fund as part of the five-year plan. The District Attorney and Probation Department have accumulated the necessary funds to meet the 10% contingency requirement.



REALIGNMENT

In 1991 the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to .65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenues.

Within the mental health area, the programs for which the county is now responsible are: community-based mental health programs, State Hospital services for county patients, and Institutions for Mental Disease. Within the social services area, the programs for which the county is now responsible are: the county revenue stabilization program and the county justice subvention program. Within the health area, the programs for which the county is now responsible are: AB8 county health services, local health services, medically indigent services, and the county medical services program.

In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. Below are the programs involved in the cost sharing ratio changes (numbers are shown in percentages in the order of state/county shares of cost). For example, prior to Realignment, Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources, which is a significant impact to the county.

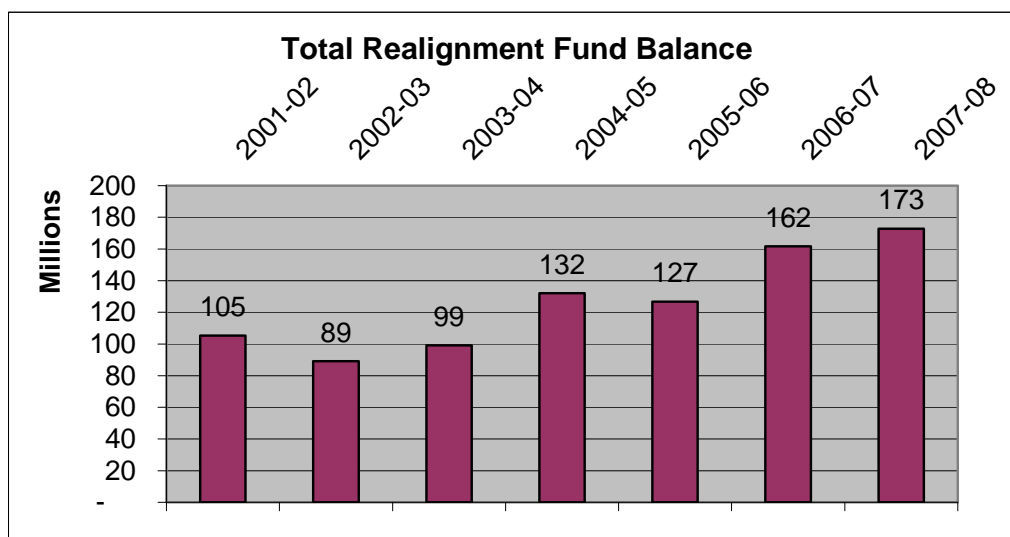
	From State/County	To State/County
Social Services programs:		
Foster Care	95/5	40/60
Child Welfare Services	76/24	70/30
Adoption Assistance	100/0	75/25
CalWORKs	89/11	95/5
County Services Block Grant	84/16	70/30
Greater Avenues for Independence	100/0	70/30
Social Services administration	50/50	70/30
In Home Supportive Services (IHSS)	97/3	65/35
Health programs:		
California Children's Services	75/25	50/50

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an "under equity county," meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The county continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.



In addition to the under equity issue is the fact that the demand for the services the county is providing and the revenue streams funding them are both sensitive to the economy. When the economy does poorly, demand for services is high, but revenues under perform. When the economy is doing well, demand for services is reduced, sales taxes and vehicle license fees revenues are high, and growth in these funding streams is experienced. However, Social Services has priority claim on any sales tax growth received. If the growth is sufficient to cover the increasing Social Services caseload costs, then anything remaining is distributed to the Mental Health and Health realignment funds.

The graph below shows the history of fund balance for all Realignment funds.



Fund balances increased significantly from 2003-04 to 2004-05. The increased fund balance in 2004-05 was driven by lower than expected expenditures in Behavioral Health, Probation, ARMC, and Foster Care. The decrease in 2005-06 is the result of a one-time transfer of funds to ARMC for the remodel of the 6th floor of the hospital. These additional expenditures were slightly offset by significant sales tax growth revenue of \$15.3 million, or 21%, within the Social Services Fund for the year ending June 30, 2006.

Budget History for All Realignment Funds

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Beginning Fund Balance	132,196,582	117,711,163	126,723,988	161,559,556
Realignment Revenue	211,051,999	212,247,973	215,250,272	224,888,389
Department Usage	216,524,593	209,101,739	180,414,704	213,757,273
Ending Fund Balance	126,723,988	120,857,397	161,559,556	172,690,672
Change in Fund Balance	(5,472,594)	3,146,234	34,835,568	11,131,116

The chart above shows the impact of the unexpected revenue growth from sales tax in the 2005-06 fiscal year. In 2005-06 actual revenue received exceeded the budgeted revenue amount by \$16.2 million. The impact of this unexpected growth continues into the following year as this growth is reflected within the sales tax revenue base received for the period ending June 30, 2007. It should be noted however that the total revenues for 2006-07 continue to remain an estimate as growth revenues for a particular year are not realized until seven months after the close of that year. Beginning fund balance and department usage for 2006-07 do reflect actuals.

In addition, departmental savings of another \$28.7 million in 2006-07, results in an estimated increase to ending fund balance of \$40.7 million for the period ending June 30, 2007.



It is important to note however that sales tax for 2006-07 has shown a lag, resulting in insufficient caseload growth and no sales tax general growth expected to be received.

For the 2007-08 budget, revenues of \$224.9 million include overall projected sales tax and vehicle license fees growth of 5% and 4%, respectively. Slightly offsetting this growth are proposed increases in department usage of \$4.7 million, resulting in a net increase to fund balance of \$11.1 million.

SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2007-08

	Estimated Beginning Fund Balance	Budgeted Revenue	Budgeted Departmental Usage	Budgeted 10% Transfers	Estimated Ending Fund Balance	Estimated Change in Fund Balance
Mental Health	54,525,520	62,142,263	70,584,965	-	46,082,818	(8,442,702)
Social Services	58,524,085	99,912,421	74,096,500	-	84,340,006	25,815,921
Health	48,509,952	62,833,705	69,075,808	-	42,267,849	(6,242,103)
Total	161,559,556	224,888,389	213,757,273	-	172,690,672	11,131,116

The Realignment budgets do not directly spend funds or provide service. They are strictly financing budgets with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given years revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County did not do a 10% transfer in 2006-07 and is not budgeting one for 2007-08. However, in the event that such transfer is needed, Board of Supervisors approval is required.

The next three pages contain the breakdown of the three individual Realignment restricted financing funds.



Mental Health

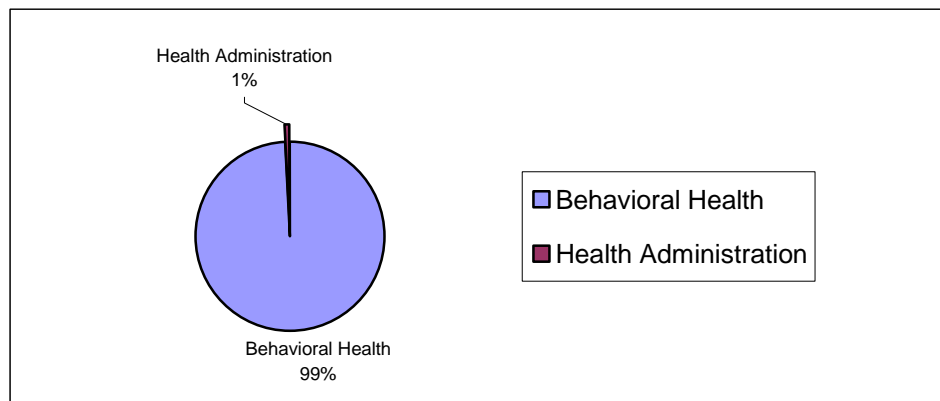
	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Beginning Fund Balance	45,032,717	51,360,727	51,362,385	54,525,520
Realignment Revenue	59,604,493	61,977,359	60,812,681	62,142,263
Department Usage	53,274,825	67,673,293	57,649,546	70,584,965
10% Transfers	-	-	-	-
Ending Fund Balance	51,362,385	45,664,793	54,525,520	46,082,818
Change in Fund Balance	6,329,668	(5,695,934)	3,163,135	(8,442,702)

Mental Health realignment revenue is currently composed of 59% sales tax and 41% vehicle license fees. 2005-06 reflects the first time since 2000-01 that sales tax growth was received. However, this growth is not expected to continue for 2006-07 as sales tax is expected to experience the same lag prior to the unexpected growth of 2005-06.

For 2006-07, revenue is estimated at slightly lower than budget due to slowing sales tax growth. This is offset by actual departmental expenditure savings of \$10.0 million, resulting in an increase to the period ending June 30, 2007 fund balance of \$3.2 million. However, for 2007-08 the Mental Health fund is budgeted to spend \$8.4 million of fund balance. This use is due primarily to delays in receipt of Title XIX EPSDT funding within the Behavioral Health budget unit. These delays have amounted to roughly \$11.0 million in payments yet to be received, which when rectified, is expected to result in less fund balance use at the end of the year. Despite this, department usage also continues to increase, primarily the result of uncompensated cost increases from MOU negotiations. Coupled with limited or no growth expected in Mental Health realignment revenue due to Social Services continued draws of all sales tax revenue growth, the ending fund balance within this fund is expected to show continued decline. As such, the Department of Behavioral Health and the County Administrative Office will need to begin the process of revising the Department's five-year plan to ensure that ongoing departmental usage and ongoing revenues stay in line.

Breakdown of Department Usage of Mental Health Realignment

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Behavioral Health	52,618,673	67,252,313	57,154,618	70,019,971
Health Administration	656,152	420,980	494,928	564,994
Total Department Usage	53,274,825	67,673,293	57,649,546	70,584,965



Social Services

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Beginning Fund Balance	14,519,257	26,566,979	35,822,945	58,524,085
Realignment Revenue	90,884,675	87,826,701	92,793,637	99,912,421
Department Usage	69,580,987	76,433,144	70,092,497	74,096,500
10% Transfers	-	-	-	-
Ending Fund Balance	<u>35,822,945</u>	<u>37,960,536</u>	<u>58,524,085</u>	<u>84,340,006</u>
Change in Fund Balance	21,303,688	11,393,557	22,701,140	25,815,921

Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees. In a drastic turnaround from prior years, sales tax coming in to Social Services realignment grew dramatically in 2005-06. While this is good news, the growth has been insufficient to make up for prior years' shortfalls. Statewide, sales tax collections even in this very good year were \$169.2 million short of what was necessary to fund caseload growth within the mandated Social Services programs.

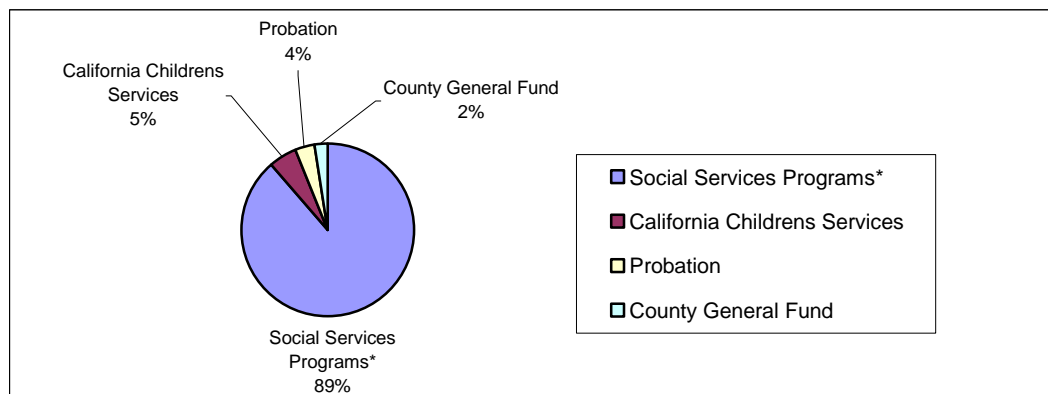
The unexpected growth of 2005-06 was so significant that for the first time since 2000-01, sales tax general growth could also be received within the Mental Health and Health realignment funds. Actual sales tax growth for 2005-06 within the Social Services fund was \$15.4 million, which is then reflected as part of the base for 2006-07, resulting in estimated revenue of \$92.8 million, an increase of \$5.0 million over budget. This increase in revenue, coupled with actual departmental expenditure savings is reflected in the \$22.7 million anticipated increase to the period ending June 30, 2007 Fund Balance. It should be noted however, that the increases in revenue are only the result of the higher base, and that actual sales tax collections for 2006-07 will again be insufficient to cover total caseload cost increases. As such, with caseload cost increases in an arrears situation, no sales tax general growth is expected.

For the 2007-08 budget ongoing expense and ongoing revenue shows a surplus of \$25.8 million; however, this is based on assumed sales tax growth that may begin to feel pressure should the economy begin to slow.

Breakdown of Department Usage of Social Services Realignment

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Social Services Programs*	62,050,426	68,580,269	62,512,385	65,612,683
California Childrens Services	3,030,931	3,353,245	3,120,482	3,984,187
Probation	2,700,630	2,700,630	2,660,630	2,700,630
County General Fund	<u>1,799,000</u>	<u>1,799,000</u>	<u>1,799,000</u>	<u>1,799,000</u>
Total Department Usage	69,580,987	76,433,144	70,092,497	74,096,500

* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, and Administrative Claim Matches



Health

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Beginning Fund Balance	72,644,608	39,783,457	39,538,658	48,509,952
Realignment Revenue	60,562,831	62,443,913	61,643,954	62,833,705
Department Usage	93,668,781	64,995,302	52,672,660	69,075,808
10% Transfers	-	-	-	-
Ending Fund Balance	<u>39,538,658</u>	<u>37,232,068</u>	<u>48,509,952</u>	<u>42,267,849</u>
Change in Fund Balance	(33,105,950)	(2,551,389)	8,971,294	(6,242,103)

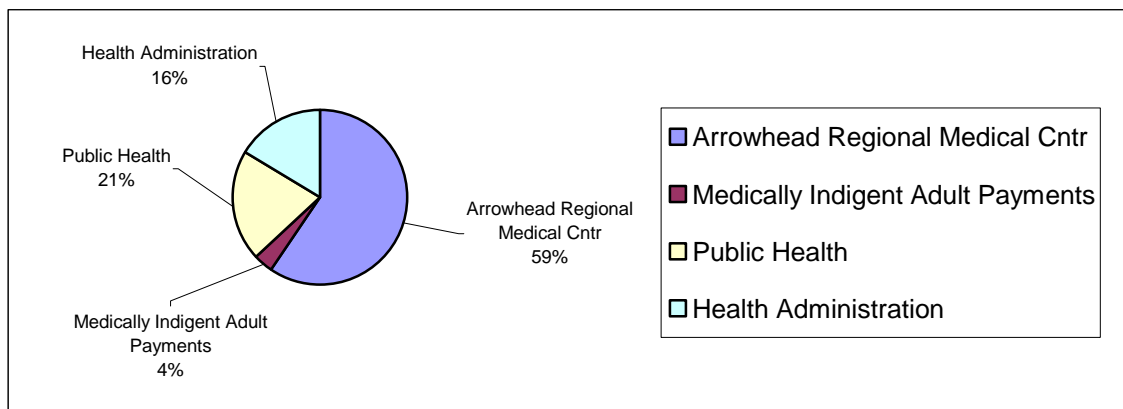
As in the Mental Health realignment revenues, Health funding experienced sales tax growth for the first time since 2000-01. However, the impact is not as significant given that Health is primarily funded with vehicle license fees at 73% with the remaining 27% coming from sales tax.

In 2006-07, actual departmental expenditures savings of \$12.3 million, resulted in an increase to the period ending June 30, 2007 fund balance of \$9.0 million. The significant savings were the result of less than required realignment support for the ARMC debt service and the availability of ARMC construction litigation monies used to fund the ARMC projects. Savings were slightly offset by transfers for one-time projects totaling \$2.0 million being conducted by the Arrowhead Regional Medical Center. Additionally, an operating shortfall of \$7.0 million within the ARMC budget unit, mainly resulting from lack of cost containment over the last few years, failure to budget and plan for necessary equipment replacement, and increases in contracted physician expenses, was mitigated through increased departmental usage of realignment funds.

The 2007-08 proposed budget reflects the use of \$6.2 million in fund balance. This is again primarily the result of additional transfers in the amount of \$6.1 million to fund one-time projects for ARMC reflected in the increased department usage, coupled with limited sales tax growth. Health Administration usage is reduced to reflect decreased net debt service payments for ARMC. There is no budgeted increase in department usage for Public Health.

Breakdown of Departmental Usage of Health Realignment

	ACTUAL 2005-06	BUDGET 2006-07	ESTIMATE 2006-07	FINAL 2007-08
Arrowhead Regional Medical Cntr	66,733,462	36,632,500	32,490,396	40,967,620
Medically Indigent Adult Payments	2,550,000	2,550,000	2,550,000	2,550,000
Public Health	11,008,999	14,164,292	13,793,258	14,164,292
Health Administration	<u>13,376,321</u>	<u>11,648,510</u>	<u>3,839,007</u>	<u>11,393,897</u>
Total Department Usage	93,668,782	64,995,302	52,672,660	69,075,809



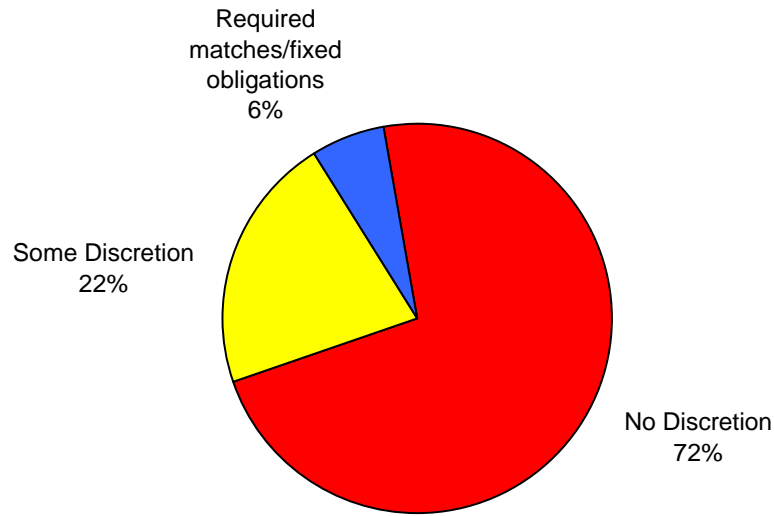
Budgetary Note: Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state's reporting requirements are not consistent with the county's implementation of GASB 34 as it relates to revenue accrual. As such, within the county's accounting system, an adjustment will be made to show the correct revenues in accordance with the county's accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers is \$2.4 billion, however, the Board of Supervisors has no discretion on \$1.7 billion of this amount as seen in this pie chart.

2007-08 Final Budget General Fund Spending



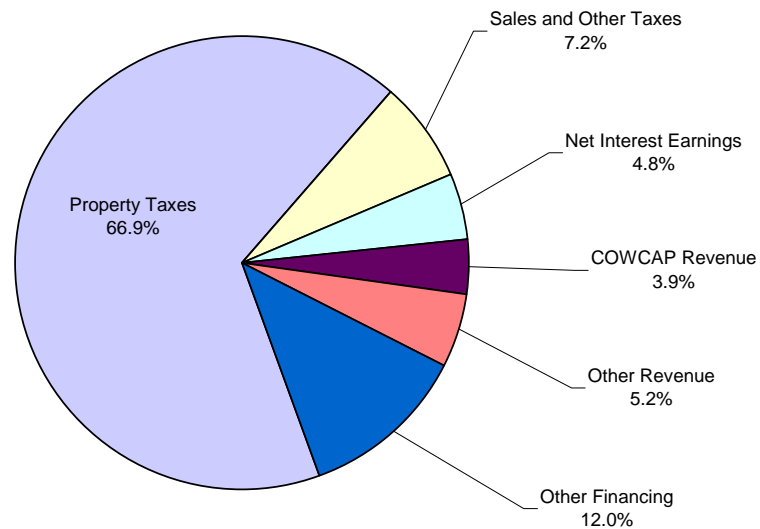
SPENDING WHERE THE BOARD HAS NO DISCRETION. INCLUDES:	1,708,990,981
Welfare costs reimbursed by state and federal monies (\$745.9 million)	
Other program costs funded by program revenues such as user fees (\$963.1 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	141,896,802
SPENDING WHERE THE BOARD HAS SOME DISCRETION. INCLUDES:	508,496,958
Reserve / Contingencies Contributions (\$75.1 million)	
Law and justice program costs funded by local revenues (\$267.9 million)	
All other program costs funded by local revenues (\$165.5 million)	
TOTAL:	\$2,359,384,741

The Board of Supervisors has authority over the countywide discretionary revenue, which totals \$650,393,760. This countywide discretionary revenue is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$141,896,802. The remaining amount of \$508,496,958 is available for the Board's discretion and finances departmental budgets' local cost.



Shown below are the sources of the countywide discretionary revenue for 2007-08, which total \$650,393,760:

Discretionary Revenue by Category 2007-08 Final Budget



Other Revenue Includes: Property Tax Admin Revenue, Booking Fee Revenue, Other State and Federal Aid, Recording Fee Revenue, Treasury Management Pool Fees, and Other Revenue.

Other Financing Includes: Fund Balance, Use of Reserves, and Operating Transfers.



COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR GENERAL FUND LOCAL COST

	2005-06 Final Budget	2006-07 Final Budget	2006-07 Actual	2007-08 Final Budget
Countywide Discretionary Revenue				
Property Taxes:				
Current Secured, Unsecured, Unitary	139,341,353	186,170,860	189,051,307	206,738,207
VLF/Property Tax Swap	148,442,703	187,409,286	185,845,127	208,146,542
Supplemental Property Tax	8,746,613	14,000,000	33,796,419	14,000,000
Penalty on Current Taxes	1,938,095	1,938,095	2,118,629	2,272,832
Prior Property Taxes, Penalties and Interest	7,222,648	3,806,646	4,851,032	3,860,659
Total Property Taxes	305,691,412	393,324,887	415,662,514	435,018,240
Sales and Other Taxes:				
Sales and Use Tax	18,758,333	23,075,676	23,929,047	22,879,354
Property Transfer Tax	14,948,345	19,936,370	13,978,462	15,000,000
Franchise Fees	6,045,934	6,715,000	6,894,026	7,120,050
Hotel/Motel Tax	1,176,978	1,176,978	1,328,899	1,200,000
Other Taxes	700,000	700,000	786,449	750,000
Total Sales and Other Taxes	41,629,590	51,604,024	46,916,882	46,949,404
Net Interest Earnings	21,872,000	23,154,000	41,072,040	31,000,000
COWCAP Revenue	20,228,548	20,739,704	20,726,608	25,196,750
Property Tax Admin Revenue	10,219,145	12,773,384	18,211,903	13,800,000
Recording Fee Revenue	-	11,167,902	7,980,897	8,616,493
Other State and Federal Aid	3,593,326	3,647,156	6,907,058	3,660,738
Booking Fee Revenue	-	2,500,000	2,363,606	3,000,000
Treasury Pool Management Fees	-	2,219,195	2,198,718	2,503,298
Other Revenue	2,430,000	3,430,000	5,614,166	2,430,000
Total Countywide Discretionary Revenue	405,664,021	524,560,252	567,654,394	572,174,923
Other Financing Sources				
Fund Balance, beginning	121,637,030	100,698,815	100,698,815	56,425,431
Reimbursements	583,586	583,586	1,073,586	-
Use of Reserves	2,253,702	6,063,708	12,781,312	2,688,000
Operating Transfers	24,344,825	32,116,449	17,278,043	19,105,406
Total Other Financing Sources	148,819,143	139,462,558	131,831,756	78,218,837
Total Countywide Discretionary Revenue and Other Financing Sources	554,483,164	664,022,810	699,486,150	650,393,760

For 2007-08 general fund financing includes Countywide Discretionary Revenues of \$572.2 million and Other Financing Sources of \$78.2 million.

Countywide Discretionary Revenues

Secured Property Tax

Secured Property Tax Revenues make up \$186.2 million of the \$206.7 million 2007-08 "Current Secured, Unsecured, Unitary" budgeted revenue number. This budgeted amount is projected using an estimated 12.0% increase in secured assessed valuation for 2007-08 translated to an 11.0% increase in secured property tax revenues for the county general fund. This increase is based on growth estimates provided by the County Assessor's office, and projections of a local economist.



The table below compares the increase in secured assessed valuation for the last six years to the increase in secured property tax revenues of the county general fund (adjusted for one-time revenue changes such as ERAF III).

Fiscal Year	Countywide Locally Assessed Secured AV	Percent Increase	County General Fund Secured Revenue - Adjusted	Percent Increase
2001-02	78,831,564,858		96,419,313	
2002-03	85,194,704,924	8.07%	103,724,492	7.58%
2003-04	92,745,938,042	8.86%	114,005,166	9.91%
2004-05	103,488,544,441	11.58%	127,110,535	11.50%
2005-06	118,871,872,729	14.86%	143,559,894	12.94%
2006-07	141,392,463,582	18.95%	168,345,431	17.26%

As is evident in the table, county general fund revenues do not usually increase at the same rate as secured assessed valuation. This difference is not due to delinquent tax payments. The County participates in the Teeter method of property tax allocation for secured property tax revenues. Therefore the County, and all other agencies participating in the Teeter program, receives 100% of the secured property tax revenue to which they are entitled, regardless of payment status. Instead, the mismatch between assessed valuation growth and revenue growth can be caused in part by assessed valuations increasing at a different rate in cities than in the unincorporated areas of the County (where the County gets a larger share of the property tax revenue). Other reasons for this mismatch include:

Redevelopment Agency Allocations:

When a redevelopment project area is created, future increases in property tax revenues are allocated to the Redevelopment Agency, instead of being apportioned through the normal allocation process to the County, Cities, Schools and Special Districts. This results in a lowering of the County's percentage share of the total revenues generated by the secured property in the County. In some instances, this reduction in property tax revenues is partially offset by a pass through of a certain amount of these revenues back from the RDA to the County (and the other affected entities).

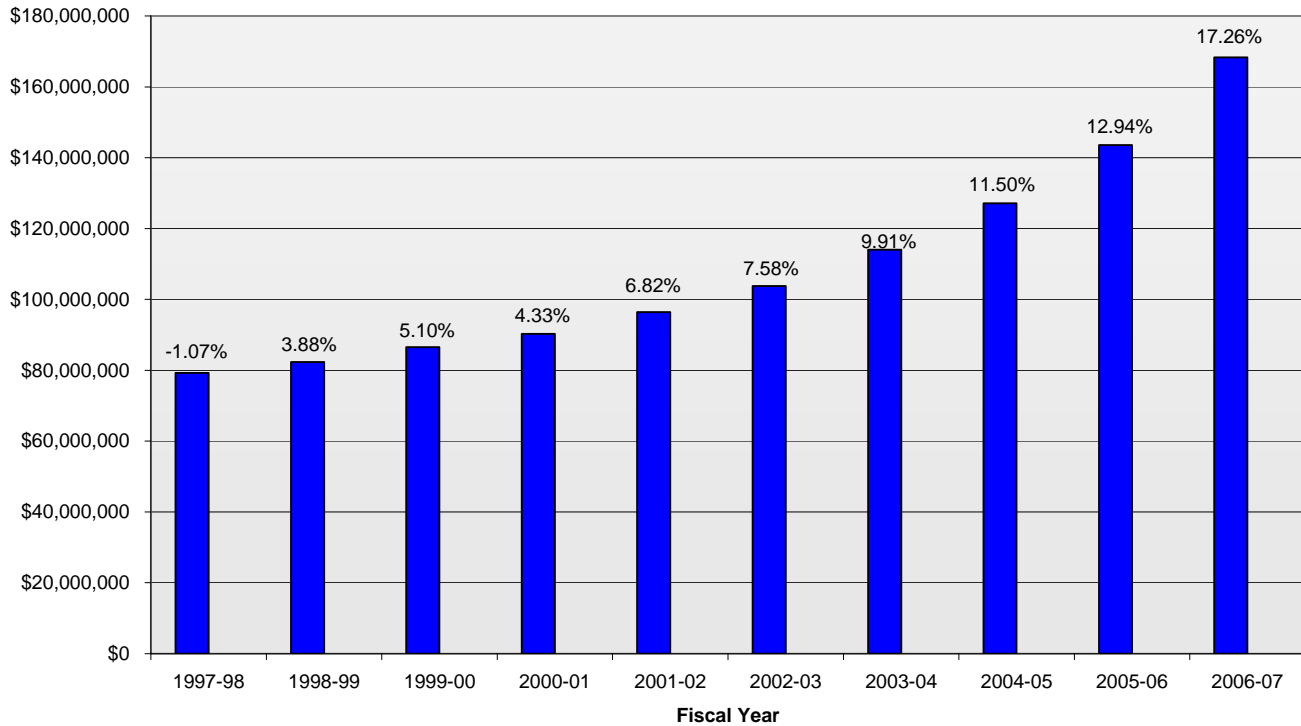
Incorporations/Annexations:

When a new city is created in the County, or when an existing city annexes additional land into its boundaries, the City takes on certain responsibilities for that geographic area that were previously the responsibility of the County and Special Districts. To fund this shift in responsibilities, the County, and any affected Special Districts, will have their share of property tax revenues reduced in favor of the City.



The following chart presents the most recent ten year trend of secured property tax revenues. Revenues have been adjusted for one-time revenue changes such as ERAF III.

SECURED PROPERTY TAXES - ADJUSTED ⁽¹⁾
TEN YEAR TREND
Dollars and Percent Change



VLF/Property Tax Swap

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose financing. Beginning in Fiscal Year 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the 'VLF Backfill').

The VLF Backfill was eliminated in the 2004-05 State budget. In that year the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

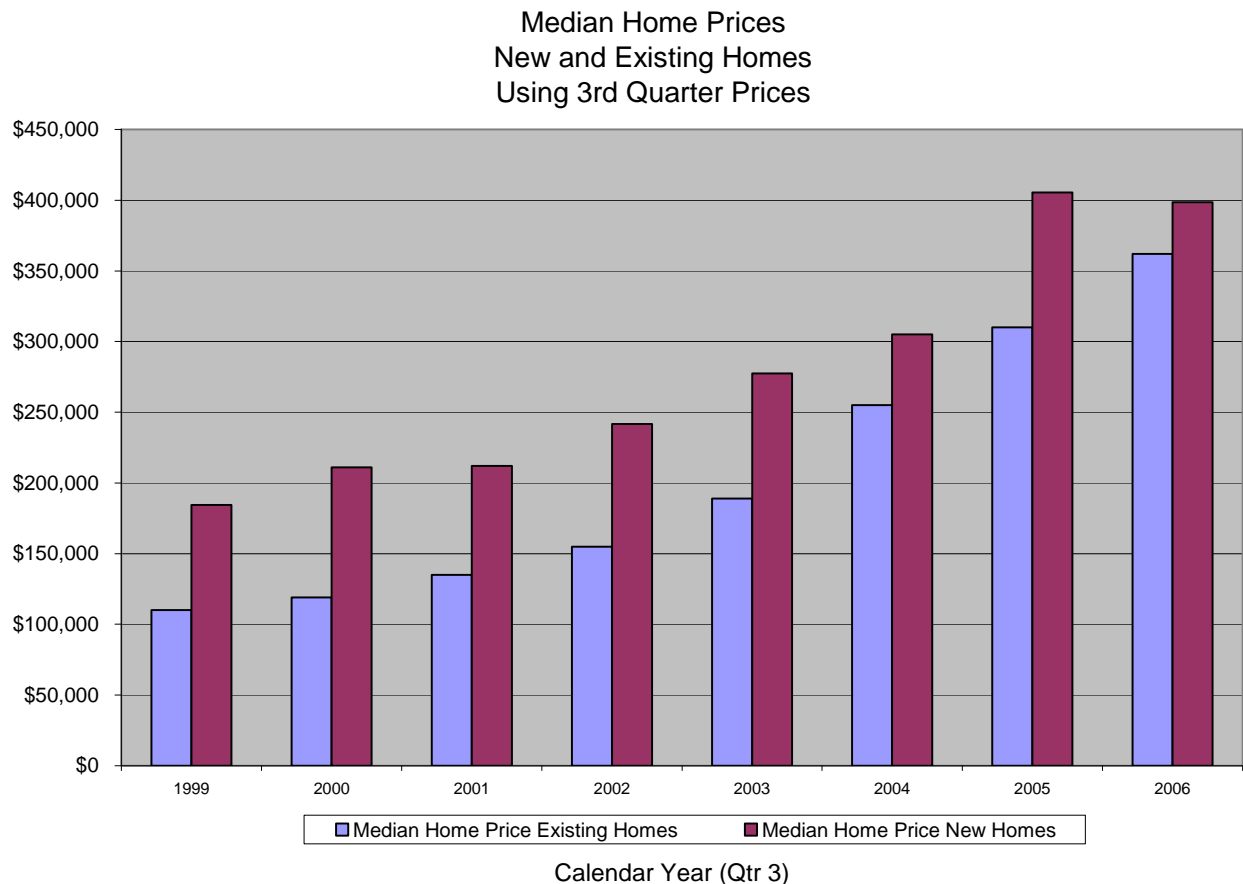
For 2004-05 the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount increased by a rate equal to the growth in assessed valuation. This growth rate includes both secured and unsecured assessed valuation, but excludes the growth rate of unitary valuations. For 2007-08 it is projected that this revenue will increase 12% over 2006-07 actual revenue. This is slightly higher than the estimate of secured property tax growth as the VLF/Property Tax Swap Revenue is not affected by Redevelopment Agency allocations, incorporations, or annexations, as is true with secured property taxes.



Supplemental Property Tax

Supplemental Property Tax payments are required from property owners when there is an increase in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenues to the County. The opposite is true when home prices and sales volume is declining. In fact, when the sales price of a property is lower than the current assessed value of the property, a refund may be due to the property owner.

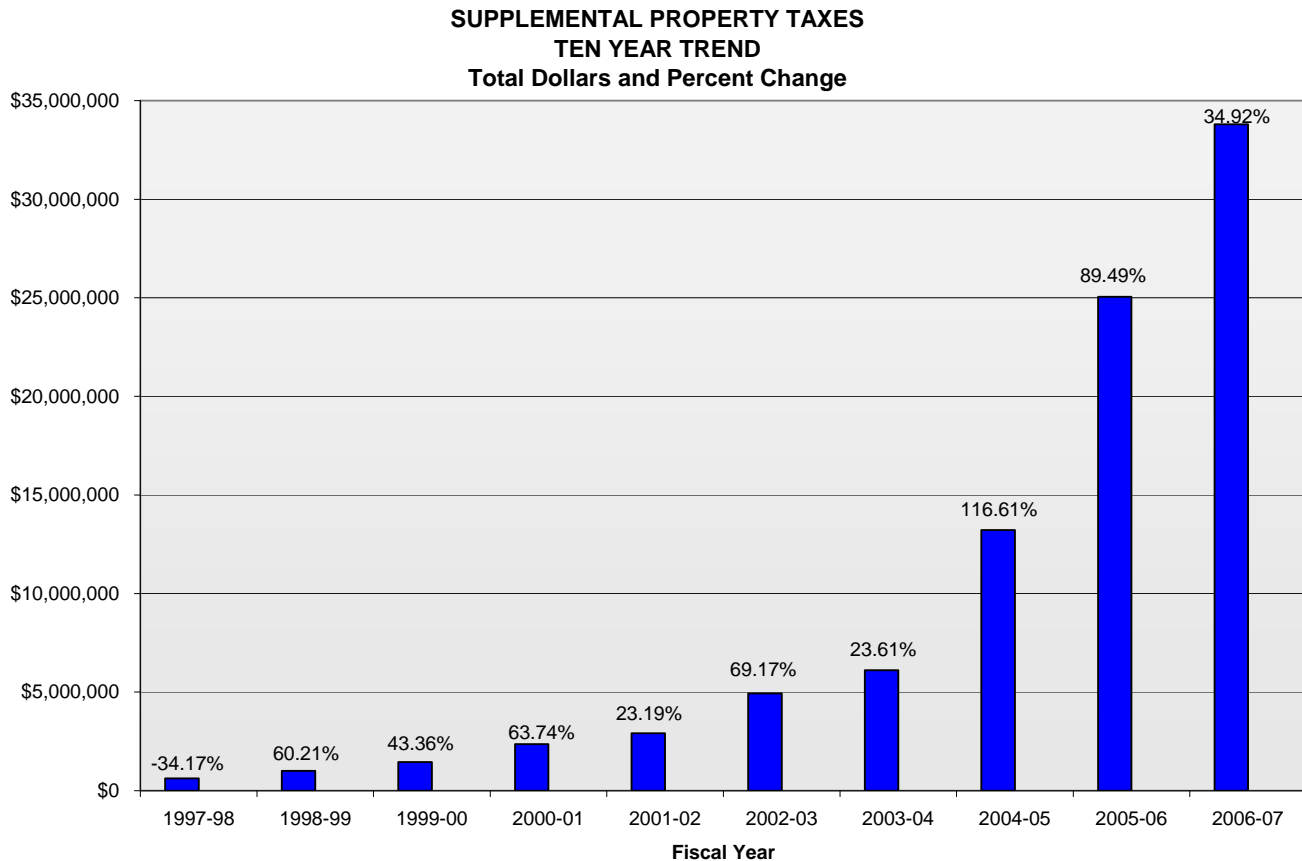
In recent years the County has been experiencing dramatic increases in housing sales and housing prices. The following chart illustrates the dramatic rise in housing prices for both new and existing homes.



Source: Dataquick



Sales of new and existing homes rose dramatically through calendar year 2005. The combination of rising home prices and rising sales volume contributed to a dramatic rise in supplemental property tax revenues to the general fund as shown in the chart below.



In 2006 the housing market began to slow down. Quarterly sales volume, which was 11,991 units in the fourth quarter of 2005, decreased by 28.4% to 8,581 units in the third quarter of 2006. In addition, although median prices of existing homes continued to rise through the third quarter of 2006, median new home prices decreased 1.7% for this same period (as compared to a 33% increase in 2005). Given the change in the housing market, the County is anticipating a reduction in supplemental property tax revenue. An offsetting factor is the impact of the VLF/Property Tax Shift on supplemental property tax revenues. Because of the nature of the VLF/Property Tax Swap, the Education Revenue Augmentation Fund (ERAF) no longer receives supplemental tax revenues. Supplemental tax revenues that would have gone to ERAF are instead contributed to counties and cities.

The County anticipated the housing slowdown in the 2006-07 final budget by budgeting a conservative \$14 million for supplemental property taxes. Although actual revenues for 2006-07 totaled \$33.8 million, the final budget for 2007-08 remains at \$14 million. This budgeted amount is the current estimate of the sustainable level of this revenue for the near future.

Sales and Use Tax

County discretionary revenues include 1% of the 7.75% sales tax rate charged on purchases made in the unincorporated areas of the County. In recent years, due to the strong housing market and resulting population increase, County discretionary sales tax revenues have increased significantly.

When preparing the annual budget, the County projects future sales tax revenues based on data provided by a local economist. For 2007-08 the economist has projected total sales tax revenues in the unincorporated area of \$30.2 million, which reflects an increase of 9.68%. The County has budgeted \$22.9 million. The major reasons for this difference include:



Sales Tax Sharing Agreement with the City of Redlands

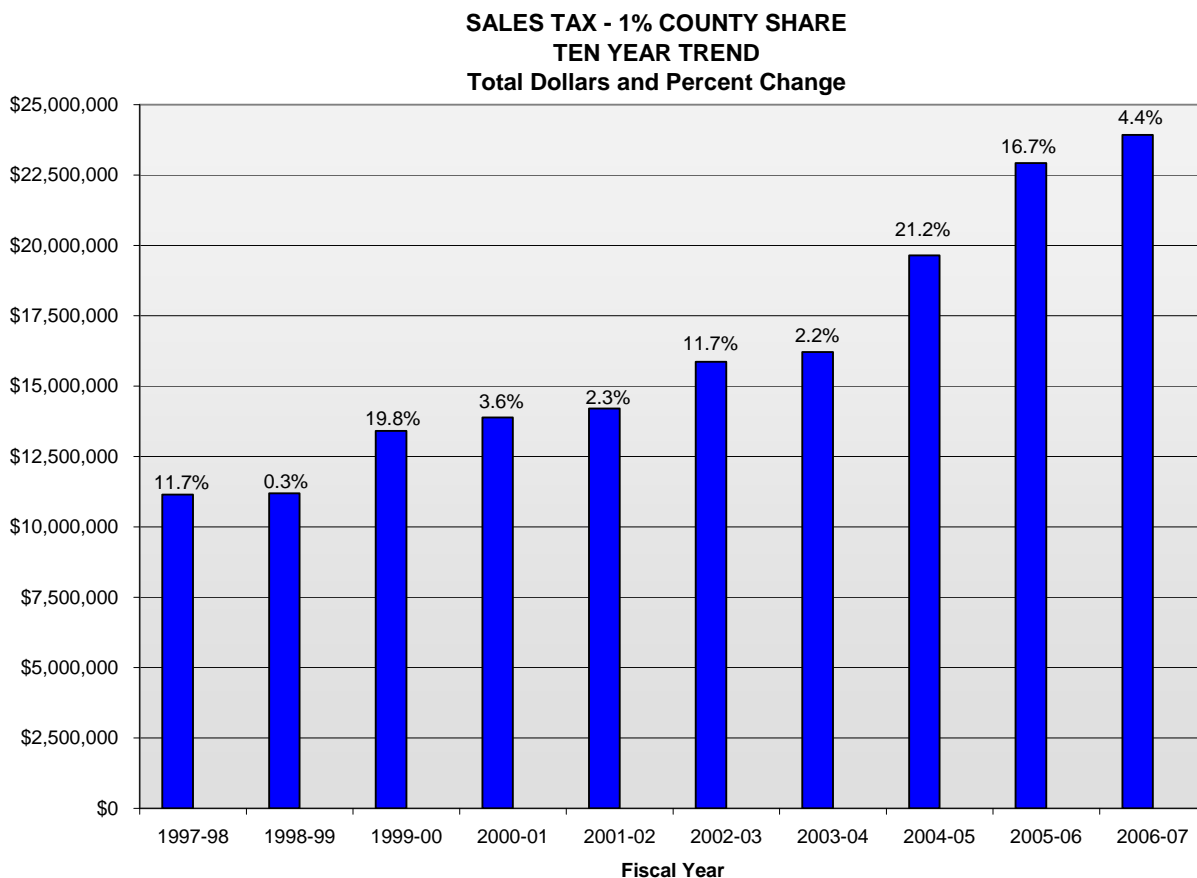
In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographic area has and continues to add, numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County's discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, approximately 56% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the county's boundaries. This percentage is expected to decline to approximately 39% after taking into account the major Fontana annexation referenced in the paragraph below. A sphere of influence is a 'planning boundary within which a city or district is expected to grow into over time'. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenues if a community in the unincorporated area of the County decided to create a new city (incorporate).

In the 2006-07 final budget, the County budgeted sales tax revenues of \$23.1 million and received \$23.9 million for the fiscal year. The 2007-08 final budget amount of \$22.9 million includes a \$3.8 million reduction in the County's sales tax base due to a major annexation by the City of Fontana.

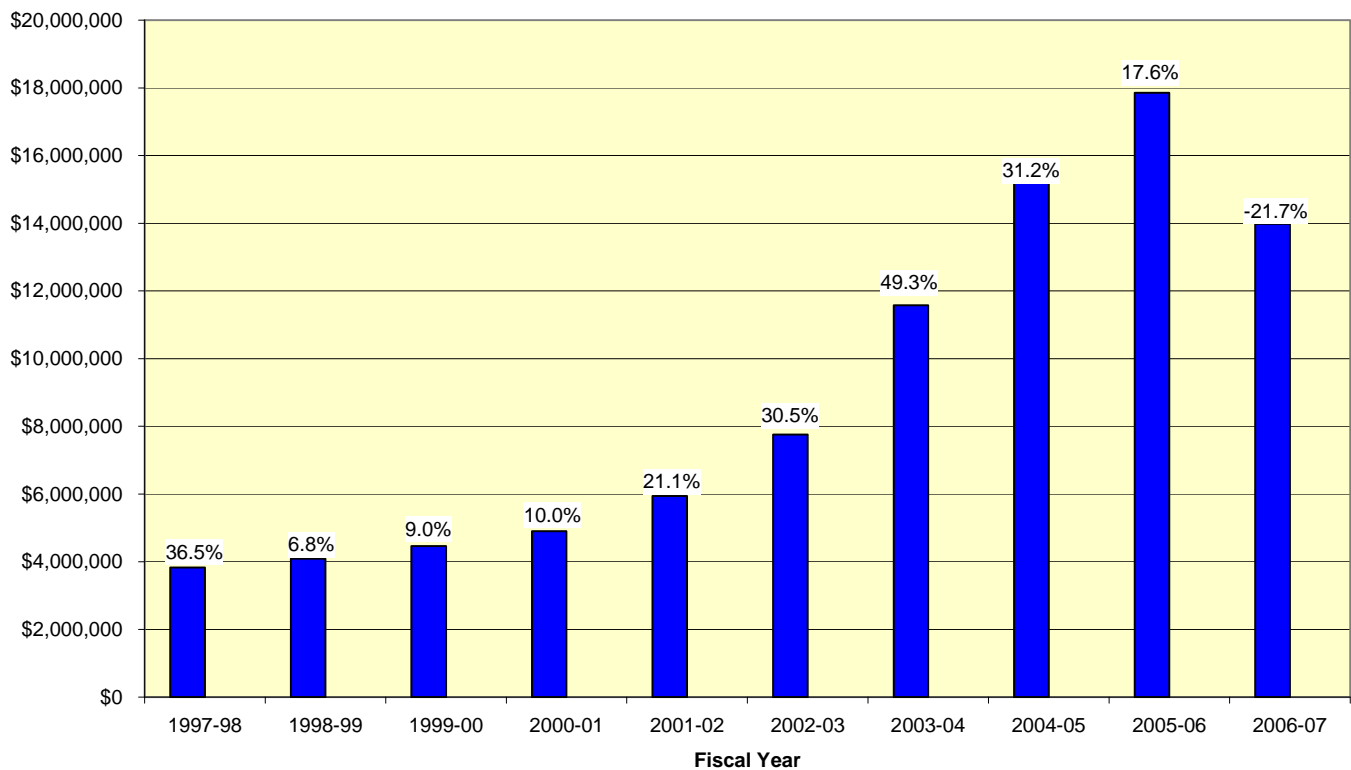
The chart below presents the most recent ten year trend of sales tax revenues.



Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$ 0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. This revenue has increased dramatically over the last 5 years due to the high volume of housing sales and increasing housing prices. The chart below presents the most recent ten year trend of property transfer tax revenue.

**PROPERTY TRANSFER TAX
TEN YEAR TREND
Total Dollars and Percent Change**



This revenue stream is dependent on the combination of sales prices and the number of sales transactions, and is expected to decrease in reaction to the decline in the housing prices market. Receipts for 2006-07 totaled \$14.0 million, which is \$6.0 million less than budgeted and 21.7% less than 2005-06 receipts. The 2007-08 final budget estimates revenues of \$15.0 million, which still represents strong growth as compared to five years ago.

Net Interest Earnings

Net interest earnings for 2007-08 are projected at \$31.0 million. This is the amount that is considered sustainable in the near future.

COWCAP (County-Wide Cost Allocation Plan) Revenue

COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the library and Board-governed special districts. The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2007-08 countywide cost allocation plan (COWCAP) published by the Auditor/Controller.



Property Tax Admin Revenue

Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which the legislature provided to allow counties to recover the cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort.

Recording Fee Revenue

The County Recorder's Office collects certain fees for the official recording of documents. In previous fiscal years, this revenue was budgeted in the Auditor/Controller-Recorder's budget unit. Due to the unpredictable nature of the recording fee revenue and the County Administrative Office's concern for stabilization of departmental financing, the Board approved placing the recording fee revenue in the countywide discretionary revenue in 2006-07.

State and Federal Aid

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the Federal government's Payment in Lieu of Taxes (PILT) program. Under current law, local governments are compensated through various programs for losses to their tax bases due to the presence of most federally owned land. PILT for the county in 2007-08 is expected to grow slightly over the 2006-07 budgeted amount. The 2006-07 actual receipts in State and Federal Aid includes \$2.9 million in prior year SB90 reimbursements from the State.

Booking Fee Revenue

State law provides the Board of Supervisors with the authority to assess booking fees. In 2006-07, the maximum fee imposed by counties continued to be limited to one-half of actual administrative costs in effect on June 30, 2006. New legislation (AB 1805) for 2007-08 replaces this methodology with the creation of a Local Detention Facility Revenue Account, to be funded by a state allocation and used exclusively for the construction or operation of jails. In addition, a Jail Access Fee is allowed for specified non-felony offenses when a jurisdiction exceeds a three-year average number of bookings for those offenses. The ability to charge booking fees is retained if the state does not appropriate funding under AB 1805; however, \$35 million is included in the adopted State budget. For 2007-08, San Bernardino County's share of the allocation is estimated at \$3.4 million and will replace booking fee revenue.

Treasury Pool Management Fees

Beginning in 2006-07, discretionary revenue includes cost reimbursement for the management of the County's investment pool, which is projected to total \$2.5 million in 2007-08. In prior fiscal years, this revenue was budgeted in the Treasurer/Tax Collector's budget unit.

Other Revenue

Other revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff's Department, voided warrants issued by the county, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

Other Financing Sources

Fund Balance and Reimbursements

The 2006-07 year-end fund balance for the general fund is \$56.4 million.

Use of Reserves

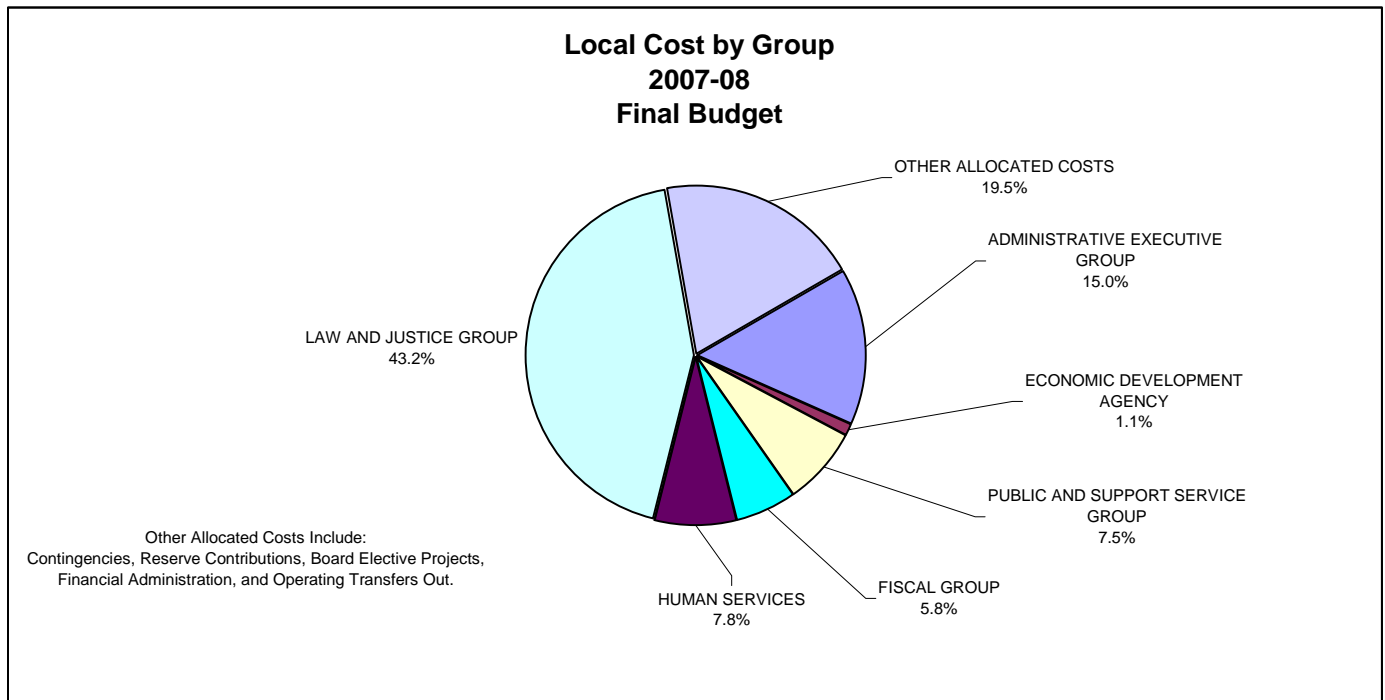
The 2007-08 final budget anticipates the use of \$2,688,000 of the business process improvement reserve.

Operating Transfers

Operating transfers include transfers from the Courthouse and Criminal Justice Construction funds of \$4.1 million to finance debt service on the Foothill Law and Justice Center, and \$15.0 million of tobacco settlement funds to provide funding for debt service on the Arrowhead Regional Medical Center.



Countywide discretionary revenues are allocated to various county departments as local cost. The pie chart below shows what percentage of the local cost is allocated to each of the groups.



The schedule on the following page shows a comparison of prior year local cost and current year local cost by department. This schedule also includes appropriation and revenue, including operating transfers, which are mechanisms to move financing between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.

Department Title	2006-07 Final Budget:			2007-08 Final Budget:			Change Between 2006-07 Final & 2007-08 Final:		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	6,107,437	-	6,107,437	6,879,883	-	6,879,883	772,446	-	772,446
BOARD OF SUPERVISORS - LEGISLATION	480,950	-	480,950	898,405	-	898,405	417,455	-	417,455
CLERK OF THE BOARD	1,288,039	101,209	1,186,830	1,492,677	135,287	1,357,390	204,638	34,078	170,560
COUNTY ADMINISTRATIVE OFFICE	4,265,651	-	4,265,651	5,299,244	-	5,299,244	1,033,593	-	1,033,593
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMIN	295,845	-	295,845	304,387	-	304,387	8,542	-	8,542
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	388,681	-	388,681	388,681	-	388,681	-	-	-
COUNTY ADMINISTRATIVE OFFICE - JOINT POWERS LEASES	21,137,293	-	21,137,293	21,437,356	-	21,437,356	300,063	-	300,063
COUNTY ADMINISTRATIVE OFFICE - HEALTH ADMIN	157,188,824	142,188,824	15,000,000	159,507,612	144,507,612	15,000,000	2,318,788	2,318,788	-
COUNTY COUNSEL	10,640,844	6,051,944	4,588,900	9,910,938	4,454,209	5,456,729	(729,906)	(1,597,735)	867,829
HUMAN RESOURCES	7,010,040	302,500	6,707,540	7,491,561	373,794	7,117,767	481,521	71,294	410,227
HUMAN RESOURCES-EMPLOYEE HEALTH AND WELLNESS	972,404	635,404	337,000	1,048,542	732,542	316,000	76,138	97,138	(21,000)
HUMAN RESOURCES-UNEMPLOYMENT INSURANCE	4,000,000	-	4,000,000	4,000,500	-	4,000,500	500	-	500
INFORMATION SERVICES-APPLICATIONS DEVELOPMENT	13,595,036	4,832,240	8,762,796	16,791,086	4,693,984	12,097,102	3,196,050	(138,256)	3,334,306
PURCHASING	1,235,858	35,000	1,200,858	1,307,588	50,000	1,257,588	71,730	15,000	56,730
BEHAVIORAL HEALTH	164,822,242	162,979,489	1,842,753	178,566,791	176,724,038	1,842,753	13,744,549	13,744,549	-
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	19,782,871	19,633,413	149,458	22,108,176	21,958,718	149,458	2,325,305	2,325,305	-
PUBLIC HEALTH	81,277,158	78,976,899	2,300,259	86,748,420	82,052,587	4,695,833	5,471,262	3,075,688	2,395,574
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	17,604,866	14,251,621	3,353,245	19,246,486	15,262,299	3,984,187	1,641,620	1,010,678	630,942
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
LOCAL AGENCY FORMATION COMMISSION	231,000	-	231,000	338,215	-	338,215	107,215	-	107,215
COUNTY SCHOOLS	2,918,131	-	2,918,131	4,308,605	-	4,308,605	1,390,474	-	1,390,474
ADMIN/EXECUTIVE GROUP SUBTOTAL:	515,715,671	429,988,543	85,727,128	548,547,654	450,945,070	97,602,584	32,831,983	20,956,527	11,875,456
ECONOMIC DEVELOPMENT	7,884,668	2,000	7,882,668	7,866,652	604,000	7,262,652	(18,016)	602,000	(620,016)
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	7,884,668	2,000	7,882,668	7,866,652	604,000	7,262,652	(18,016)	602,000	(620,016)
ASSESSOR	17,559,215	820,000	16,739,215	18,354,905	1,385,000	16,969,905	795,690	565,000	230,690
AUDITOR-CONTROLLER/RECORDER	18,246,993	5,614,812	12,632,181	19,357,354	6,102,260	13,255,094	1,110,361	487,448	622,913
TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR	19,863,932	13,022,442	6,841,490	21,653,245	14,201,687	7,451,558	1,789,313	1,179,245	610,068
FISCAL GROUP SUBTOTAL:	55,670,140	19,457,254	36,212,886	59,365,504	21,688,947	37,676,557	3,695,364	2,231,693	1,463,671
AGING AND ADULT SERVICES	10,602,940	10,602,940	-	11,317,320	10,115,916	1,201,404	714,380	(487,024)	1,201,404
AGING AND ADULT SERVICES - PUBLIC GUARDIAN	1,070,683	342,000	728,683	1,124,837	343,018	781,819	54,154	1,018	53,136
CHILD SUPPORT SERVICES	39,797,347	39,797,347	-	39,806,364	39,806,364	-	9,017	9,017	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	344,305,647	322,009,254	22,296,393	359,284,134	335,844,708	23,439,426	14,978,487	13,835,454	1,143,033
CHILD ABUSE /DOMESTIC VIOLENCE	1,906,812	1,906,812	-	1,970,307	1,970,307	-	63,495	63,495	-
ENTITLEMENT PAYMENTS (CHILD CARE)	85,905,228	85,905,228	-	85,905,228	85,905,228	-	-	-	-
OUT OF HOME CHILDCARE	574,056	-	574,056	777,722	-	777,722	203,666	-	203,666
AID TO ADOPTIVE CHILDREN	34,457,874	32,678,455	1,779,419	39,467,626	37,580,473	1,887,153	5,009,752	4,902,018	107,734
AFDC-FOSTER CARE	97,376,873	82,654,830	14,722,043	85,012,850	70,736,762	14,276,088	(12,364,023)	(11,918,068)	(445,955)
REFUGEE CASH ASSISTANCE	100,000	100,000	-	100,000	100,000	-	-	-	-
CASH ASSISTANCE - IMMIGRANTS	822,878	822,878	-	611,254	611,254	-	(211,624)	(211,624)	-
CALWORKS-ALL OTHER FAMILIES	197,073,867	192,702,019	4,371,848	191,880,000	187,770,991	4,109,009	(5,193,867)	(4,931,028)	(262,839)
KIN-GAP PROGRAM	4,575,538	3,868,452	707,086	6,984,009	5,896,566	1,087,443	2,408,471	2,028,114	380,357
SERIOUSLY EMOTIONALLY DISTURBED	4,761,913	3,781,511	980,402	4,761,913	3,781,511	980,402	-	-	-
CALWORKS-2 PARENT FAMILIES	14,215,939	13,881,109	334,830	15,674,688	15,322,821	351,867	1,458,749	1,441,712	17,037
AID TO INDIGENTS	1,181,027	341,471	839,556	1,181,027	341,471	839,556	-	-	-
VETERAN'S AFFAIRS	1,375,189	327,500	1,047,689	1,479,719	336,500	1,143,219	104,530	9,000	95,530
HUMAN SERVICES SUBTOTAL:	840,103,811	791,721,806	48,382,005	847,338,998	796,463,890	50,875,108	7,235,187	4,742,084	2,493,103
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	299,433	299,433	-	374,691	374,691	-	75,258	75,258	-
COUNTY TRIAL COURTS - GRAND JURY	333,956	-	333,956	343,249	-	343,249	9,293	-	9,293
COUNTY TRIAL COURTS - INDIGENT DEFENSE	8,979,100	-	8,979,100	9,158,413	-	9,158,413	179,313	-	179,313
COUNTY TRIAL COURTS - COURT FAC/JUDICIAL BENEFITS	1,637,427	-	1,637,427	1,786,037	-	1,786,037	148,610	-	148,610
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	57,300	-	57,300	869,933	-	869,933	812,633	-	812,633
COUNTY TRIAL COURTS - MAINTENANCE OF EFFORT	31,782,490	21,156,000	10,626,490	32,550,674	21,924,184	10,626,490	768,184	768,184	-
DISTRICT ATTORNEY - CRIMINAL	51,315,220	32,481,610	18,833,610	59,051,132	35,845,581	23,205,551	7,736,912	3,363,971	4,371,941
DISTRICT ATTORNEY - CHILD ABDUCTION AND RECOVERY	850,475	-	850,475	876,549	-	876,549	26,074	-	26,074
LAW & JUSTICE GROUP ADMINISTRATION	147,302	5,000	142,302	232,951	78,503	154,448	85,649	73,503	12,146
PROBATION-ADMIN, CORRECTIONS & DETENTION	105,046,634	45,428,918	59,617,716	113,707,485	49,355,959	64,351,526	8,660,851	3,927,041	4,733,810
PROBATION-COURT ORDERED PLACEMENTS	3,808,330	-	3,808,330	3,308,330	-	3,308,330	(500,000)	-	(500,000)
PUBLIC DEFENDER	28,862,282	1,600,000	27,262,282	33,823,747	1,400,000	32,423,747	4,961,465	(200,000)	5,161,465
SHERIFF	376,188,213	242,597,731	133,590,482	402,004,318	267,018,421	134,985,897	25,816,105	24,420,690	1,395,415
LAW AND JUSTICE GROUP SUBTOTAL:	609,308,162	344,419,167	264,888,995	658,087,509	376,873,888	281,213,621	48,779,347	32,454,721	16,324,626
PUBLIC AND SUPPORT SERVICES GROUP ADMIN	1,925,919	-	1,925,919	1,971,766	-	1,971,766	45,847	-	45,847
AGRICULTURE, WEIGHTS AND MEASURES	6,198,976	3,855,178	2,343,798	6,517,685	3,921,170	2,596,515	318,709	65,992	252,717
AIRPORTS	2,880,410	2,880,410	-	2,798,296	2,798,296	-	(82,114)	(82,114)	-
ARCHITECTURE AND ENGINEERING	585,320	-	585,320	585,320	-	585,320	-	-	-
COUNTY MUSEUM	4,099,202	1,979,149	2,120,053	3,911,145	1,753,400	2,157,745	(188,057)	(225,749)	37,692
FACILITIES MANAGEMENT	16,197,204	6,900,616	9,296,588	14,465,324	4,827,546	9,637,778	(1,731,880)	(2,073,070)	341,190
FACILITIES MANAGEMENT - UTILITIES	16,654,565	246,355	16,408,210	17,238,336	258,043	16,980,293	583,771	11,688	572,083
LAND USE SERVICES - ADMINISTRATION	-	-	-	-	-	-	-	-	-
LAND USE SERVICES - CURRENT PLANNING	3,253,190	3,253,190	-	3,406,036	3,406,036	-	152,846	152,846	-
LAND USE SERVICES - ADVANCED PLANNING	3,963,886	2,287,138	1,676,748	4,064,230	2,328,829	1,735,401	100,344	41,691	58,653
LAND USE SERVICES - BUILDING AND SAFETY	9,870,995	9,870,995	-	10,218,677	10,218,677	-	347,682	347,682	-
LAND USE SERVICES - CODE ENFORCEMENT	4,519,923	767,530	3,752,393	5,165,959	560,300	4,605,659	646,036	(207,230)	853,266
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,617,148	2,617,148	-	2,867,674	2,867,674	-	250,526	250,526	-
PUBLIC WORKS-SURVEYOR	4,432,992	4,233,482	199,510	5,400,409	5,132,271	268,138	967,417	898,789	68,628
REAL ESTATE SERVICES	2,514,897	1,510,344	1,004,553	2,647,980	1,542,667	1,105,313	133,083	32,323	100,760
REAL ESTATE SERVICES - RENTS AND LEASES	109,290	109,290	-	101,179	101,179	-	(8,111)	(8,111)	-
REAL ESTATE SERVICES - COURTS PROPERTY MANAGEMENT	-	-	-	437,165	392,165	45,000	437,165	392,165	45,000
REGIONAL PARKS	8,482,731	6,603,530	1,879,201	10,088,762	6,729,800	3,358,962	1,606,031	126,270	1,479,761
REGISTRAR OF VOTERS	13,163,095	9,462,107	3,700,988	11,694,748	8,077,133	3,617,615	(1,468,347)	(1,384,974)	(83,373)
PUBLIC AND SUPPORT SVCS GRP SUBTOTAL:	101,469,743	56,576,462	44,893,281	103,580,691	54,915,186	48,665,505	2,110,948	(1,661,276)	3,772,224
GENERAL FUND DEPARTMENT SUBTOTAL:	2,130,152,195	1,642,165,232	487,986,963	2,224,787,008	1,701,490,981	523,296,027	94,634,813	59,325,749	35,309,064
CONTINGENCIES	59,124,138	-	59,124,138	58,098,896	-	58,098,896	(1,025,242)	-	(1,025,242)
RESERVE CONTRIBUTIONS	35,452,753	-	35,452,753	14,544,909	-	14,544,909	(20,907,844)	-	(20,907,844)
BOARD ELECTIVE PROJECTS	-	-	-	15,812,788	-	15,812,788	15,812,788	-	15,812,788
FINANCIAL ADMINISTRATION APPROPRIATION	7,500,000	7,500,000	-	7,500,000	7,500,000	-	-	-	-
FINANCIAL ADMINISTRATION REIMBURSEMENTS	(583,586)	(583,586)	-	-	-	-	583,586	583,586	-
OPERATING TRANSFERS OUT	81,458,956	-	81,458,956	38,641,140	-	38,641,140	(42,817,816)	-	(42,817,816)
TOTAL COUNTYWIDE ALLOCATED COSTS:	182,952,261	6,916,414	176,035,847	134,597,733	7,500,000	127,097,733	(48,354,528)	583,586	(48,338,114)
GRAND TOTAL:	2,313,104,456	1,649,081,646	664,022,810	2,359,384,741	1,708,990,981	650,393,760	46,280,285	59,909,335	(13,629,050)

NOTE: Total countywide allocated costs on this schedule includes appropriation and reimbursements for Financial Administration. This appropriation is offset in the countywide discretionary revenue schedule.



GENERAL FUND – FIVE YEAR OPERATING FORECAST, 2007-08 THROUGH 2011-12

Major Issues Impacting the General Fund:

- Revenue Growth continues to expand based on future assessed valuation growth projections of 9%.
- Salaries and Benefits continue to increase based on projected negotiation agreements.
- Additional Staffing for the Adult Detention Center Expansion will produce an annual deficit in the 3rd and 4th year of this forecast.
- Due to the projected deficits in future years, a plan needs to be developed to maintain a structurally balanced budget.

	(In Millions)				
	Final Budget 2007-08	Forecast			
		2008-09	2009-10	2010-2011	2011-12
Beginning Financing Available	0.9	3.0	5.7	(3.6)	(2.9)
<u>Sources and Needs</u>					
Revenue Growth	45.6	44.1	47.7	51.4	55.5
Increase in Costs:					
Salaries and Benefits	(18.2)	(21.3)	(22.1)	(23.2)	(24.4)
Retirement Increases	(4.3)	(5.4)	(7.9)	(5.2)	(4.9)
Adult Detention Center Staffing	-	(0.1)	(12.7)	(7.2)	-
New Judgeships Staffing	(5.2)	(6.7)	(4.2)	(4.4)	-
Approved Policy Items	(7.8)	-	-	-	-
Other Costs	(8.0)	(7.9)	(10.1)	(10.7)	(9.3)
Total Increase in Costs	(43.5)	(41.4)	(57.0)	(50.7)	(38.6)
Ending Financing Available	3.0	5.7	(3.6)	(2.9)	14.0



CONTINGENCIES

The County Contingencies includes the following elements:

Contingencies

Mandatory Contingencies

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

Uncertainties

Any unallocated financing available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Final budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

Ongoing Set-Asides Contingencies

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of financing that have been targeted for future ongoing program needs.

	Contingencies			
	2006-07	2006-07	2007-08	2007-08
	Final	Mid-Year Approved	Approved	Final
	Budget	Contributions/	Contributions/	Budget
		(Uses)	(Uses)	
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	7,868,404	(770,000)	1,484,220	8,582,624
Uncertainties	16,199,923	(1,470,760)	(112,891)	14,616,272
Ongoing Set-Asides Contingencies				
Future Retirement Costs	7,900,000	(7,900,000)	7,900,000	7,900,000
Jail Expansion (Formerly Future Financing)	2,400,000	(2,400,000)	7,000,000	7,000,000
Future Space Needs	20,000,000	(20,000,000)	20,000,000	20,000,000
Total Contingencies	54,368,327	(32,540,760)	36,271,329	58,098,896

Note: Priority District and Program Needs were previously accounted for in contingencies. This annual allocation of \$2.5 million and any unspent funds from prior years have been consolidated into Board Elective Projects. Board Elective Projects also includes a \$10.0 million one-time allocation from 2007-08 that the Board of Supervisors will utilize to fund specific projects that were not included or unknown at the time of the final budget adoption.



2006-07 Mid-Year Changes to Mandatory Contingencies

For 2006-07 a mid-year Board action authorized the use of \$770,000 of mandatory contingencies to fund certain costs of the Public Defender's office relocation to a new facility.

2006-07 Mid-Year Changes to Contingencies for Uncertainties

For 2006-07 mid-year Board actions authorized the use of \$1,470,760 of the Contingencies for Uncertainties. These allocations include:

- \$710,000 in one-time funding for additional utility costs.
- \$285,723 in one-time funding for sheriff saturation patrol in the City of San Bernardino.
- \$156,258 in one-time funding for the Board of Supervisors.
- \$150,000 in one-time funding to provide additional general fund support to California Children Services.
- \$82,000 in one-time funding for legal services related to the update of the General Plan.
- \$60,000 in one-time funding for illegal dumping surveillance equipment.
- \$15,000 in one-time funding for an illegal dumping reward program.
- \$10,000 in ongoing funding for an illegal dumping reward program.
- \$1,779 in ongoing funding for operation of streaming multimedia and hosting services.

2006-07 Mid-Year Changes to Ongoing Set-Aside Contingencies

- Future Retirement Costs Ongoing Set-Aside:

On June 19, 2007 the Board directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy 02-09. The unspent amount transferred equaled \$7.9 million.

- Jail Expansion (Formerly Future Financing Needs) Ongoing Set-Aside:

On June 19, 2007 the Board directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy 02-09. The unspent amount transferred equaled \$2.4 million.

- Future Space Needs Ongoing Set-Aside:

Mid-year Board actions authorized a one-time use of \$250,000 of this set-aside for initial design and project management costs for the Forensic Crime Lab Project and a one-time use of \$150,000 for initial design and project management costs related to the Master Space Plan. On June 19, 2007 the Board directed remaining balances in the ongoing set-asides be placed in the corresponding reserve account per County Budget Financing Policy 02-09. The unspent amount transferred equaled \$19.6 million.

2007-08 Mandatory Contingencies

The base allocation to the mandatory contingency budget of \$8,582,624 is established pursuant to Board policy, based on projected locally funded appropriation of \$572.2 million.

2007-08 Ongoing Set-Asides Contingencies

As seen in the Reserves section, the county has reserved a significant amount of one-time money that can assist the county temporarily for unforeseen increases in expenditure or reductions in revenues. In 2004-05 the county also began to set-aside portions of ongoing funding for future use. In the 2007-08 final budget the county has earmarked ongoing revenue sources to finance future ongoing expenditures in three different areas: retirement, jail expansion and future space needs.

- **Future Retirement Costs Ongoing Set-Aside:**

For the past few years, the County has seen significant retirement cost increases and predicts additional future increases based on unfunded liabilities that have occurred primarily as a result of lower than expected market returns. The Board has earmarked \$7.9 million in ongoing revenue sources to assist in financing these cost increases at a future date.

- **Jail Expansion (Formerly Future Financing Needs) Ongoing Set-Aside:**

In 2004-05, the Board earmarked \$7.0 million of ongoing money to address the future needs of the County's growing population. In 2006-07, the Board allocated this set-aside to a specific use, increased jail space. The 2006-07 final budget included the use of \$4.6 million of this ongoing set-aside to fund the design costs for the Adelanto Detention Center Expansion Project. In the 2007-08 final budget this set-aside is returned to the \$7.0 million level.

- **Future Space Needs Ongoing Set-Aside:**

Beginning in 2006-07, the Board earmarked \$20.0 million to address future space needs. This is based on a building analysis completed by staff. The space needs of the county continue to grow based on expansion of the area and the programs that service the county's growing population.

RESERVES

The county has a number of reserves (designations) that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserve to equal 10% of locally funded appropriation. The Board of Supervisors also established special purpose reserves to temporarily help meet future needs.

Total Reserves

	6/30/06 Ending Balance	Approved 2006-07		6/30/07 Ending Balance	Approved 2007-08		6/30/08 Estimated Balance
		Contributions	Uses		Contributions	Uses	
General Purpose Reserve	41,736,865	10,719,160		52,456,025	4,761,467		57,217,492
Specific Purpose Reserves							
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Future Space Needs	-	19,600,000		19,600,000	20,000,000 (1)		39,600,000
Retirement	14,900,000	15,800,000		30,700,000	7,900,000 (1)		38,600,000
Teeter	17,747,201			17,747,201			17,747,201
Jail Expansion (Formerly Future Financing)	7,000,000	9,400,000		16,400,000	7,000,000 (1)		23,400,000
Juvenile Maximum Security	5,692,986	3,700,000		9,392,986	4,548,220		13,941,206
Capital Projects	4,000,000			4,000,000			4,000,000
Museum's Hall of Paleontology	3,703,030		(3,703,030)	-			-
Business Process Improvement	2,510,606	1,105,550	(3,051,378)	564,778	4,235,222	(2,688,000)	2,112,000
Insurance	3,000,000			3,000,000			3,000,000
Restitution	1,865,025			1,865,025			1,865,025
Justice Facilities	637,153		(517,837)	119,316			119,316
Electronic Voting	500,000	2,278,043	(2,278,043)	500,000			500,000
Moonridge Zoo	-	3,750,000		3,750,000	1,000,000		4,750,000
L&J SWBPI	1,723,987		(1,723,987)	-			-
Equity Pool	1,507,038		(1,507,038)	-			-
Unified Property Tax System	-			-			-
Total Specific Purpose	96,861,931	55,633,593	(12,781,313)	139,714,211	44,683,442	(2,688,000)	181,709,653
Total Reserves	138,598,796			192,170,236			238,927,145

(1) Amounts represent ongoing set-asides that are budgeted in the 2007-08 appropriation for contingencies, and not budgeted as Contributions to Reserves. They are included in this schedule because they are projected to remain unspent at the end of the fiscal year. Per County policy unspent ongoing set-asides at the end of the year will be transferred to the corresponding specific purpose reserve.



2006-07 Approved Contributions

- \$10.7 million to the General Purpose Reserve based on the 2006-07 final budget for countywide discretionary revenue which finances locally funded appropriation.
- \$19.6 million contribution to the Future Space Needs Reserve representing the 2006-07 ongoing set-aside that remained unspent at the end of the 2006-07 fiscal year.
- \$15.8 million to the Retirement Reserve, \$7.9 million approved in the 2006-07 final budget, representing the 2005-06 ongoing set-aside that remained unspent at the end of that fiscal year, and a \$7.9 million contribution representing the 2006-07 ongoing set-aside that remained unspent at the end of the 2006-07 fiscal year.
- \$9.4 million to the Jail Expansion Reserve, \$7.0 million approved in the 2006-07 final budget, representing the 2005-06 ongoing set-aside that remained unspent at the end of that fiscal year, and a \$2.4 million contribution representing the 2006-07 ongoing set-aside that remained unspent at the end of the 2006-07 fiscal year.
- \$3.7 million to the Juvenile Maximum Security Reserve from Probation Department savings in 2005-06.
- \$1.1 million to the Business Process Improvement Reserve to return it to its original balance after funding 2005-06 uses.
- \$2.3 million to the Electronic Voting System Reserve representing unspent Help America Vote Act (HAVA) monies that were received by the Registrar of Voters in 2006-07.
- \$3.8 million to the Moonridge Zoo Reserve.

2006-07 Approved Uses

- \$3.7 million from the Museum Paleontology Reserve for construction of the Hall of Geological Wonders at the County Museum in Redlands.
- \$3.1 million from the Business Process Improvement Reserve. Final budget reserve allocations were \$1.9 million to purchase a Countywide Forensic Science Laboratory Information Management System (LIMS), \$0.1 million to deploy kiosk-reporting systems within the County that will enable low-risk offenders to remotely report to their probation officers, \$0.2 million to the County Library to convert the Apple Valley and Adelanto facilities from barcode technology to radio frequency identification, and a reallocation of \$0.6 million of allocated reserve monies unspent by the Assessor's office in 2005-06. This allocation is for the purpose of creating a system for imaging building records. Mid-year reserve allocations of \$0.2 million include the purchase of a Netfile management system, an IT operational support system, hardware and software for streaming media and hosting services, and hardware, software and equipment for the Computer Aided Facilities Management (CAFM) project.
- \$0.5 million from the Justice Facilities Reserve for the morgue expansion project, an automated medication dispensing system and partial funding of the replacement of a commercial dishwasher.
- \$2.3 million from the Electronic Voting Reserve to remodel the Registrar of Voters offices.
- \$1.7 million from the Law and Justice Southwest Border Patrol Initiative to transfer the remaining balance to a special revenue fund.
- \$1.5 million from the Equity Pool Reserve to assist in funding the 2006-07 costs of approved equity adjustments.



2007-08 Approved Contributions and Uses

For 2007-08 the general purpose reserve is increased by \$4.8 million to conform to Board policy. This increase is based on projected locally funded appropriation of \$572.2 million and will bring the balance of the general purpose reserve to \$57.2 million. The Juvenile Maximum Security Reserve is increased by \$4.5 million, funded by 2006-07 savings from Probation's budget units. The Business Process Improvement Reserve is increased by \$4.2 million which is offset by approved uses of \$2.7 million. Approved uses include \$0.4 million to the Assessor for phone system upgrades and development of mobile appraisal capabilities, \$0.2 million for Public Health web services improvement, \$0.3 million to convert four branch libraries from barcode to radio frequency identification technology, and \$1.8 million for a Sheriff Laboratory information management system. The Moonridge Zoo reserve is increased by \$1.0 million.

The chart below shows recent history of the County Reserve levels.

			County Reserves History						
			Year End Actual Balance					Adopted	
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	



COUNTY DEBT POLICY

The county has a separate policy that covers the issuance, management and administration of the county's portfolio of long term obligations. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the county will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the county's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the county.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the county's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, county policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the county has satisfied certain portions of its capital needs without the issuance of long term obligations. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, financed with a combination of state grant monies and the county's cash.
- The cash purchase of the Adelanto Adult Detention Facility.
- The cash purchase of an office building in downtown San Bernardino.

COUNTY BUDGET FINANCING POLICY AS IT RELATES TO LONG-TERM OBLIGATIONS

The county's Budget Financing Policy includes policies related to long-term obligations of the county. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term obligations exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term obligations. This applies only to debt service paid from discretionary revenue sources of the general fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any county benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the county's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

COUNTY LONG-TERM OBLIGATIONS

The following discussion relates to long-term obligations backed by the full faith and credit of the county's general fund⁽¹⁾. Other long-term obligations, such as those of the county's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The county's outstanding long-term debt obligations have been issued for the following purposes:

- To finance construction and improvement of county structures.
- To refinance county pension obligations.
- To finance improvements at the county owned landfills.

The county finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the county landfills, the county has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the county has issued Pension Obligation Bonds.

(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's general fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit in the Law and Justice section of this document.



As of June 30, 2007, the county's long term obligations include obligations issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Construction of the County Government Center
- Construction of the West Valley Juvenile Detention Center
- Retrofit of lighting and HVAC systems at various county facilities
- Finance of down payment on a preschool building in Ontario
- Construction of the Glen Helen Amphitheater
- Improvement projects at county landfills
- Refinancing of a portion of the county's Unfunded Accrued Actuarial Liability in the years 1995 and 2004.

A summary of long-term obligations of the county, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.

County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Fiscal Year Ending June 30	Pension Obligation Bonds				Certificates of Participation					
	2004		1995		2003 Glen Helen Pavilion		2003 Glen Helen Pavilion		2002	
	Pension Obligation Bonds ⁽¹⁾		Pension Obligation		Series B Auction Rate ⁽¹⁾		Series A Auction Rate ⁽¹⁾		Justice Center Refunding	
	\$463,895,000		\$386,265,591		\$9,875,000		\$9,825,000		\$68,100,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	3,350,000	24,656,821	24,510,000	10,504,199	125,000	250,406	375,000	254,912	4,435,000	2,034,938
2009	5,160,000	24,379,922	28,155,000	8,702,509	100,000	244,739	400,000	243,147	4,650,000	1,890,800
2010	7,080,000	24,103,052	32,180,000	6,618,739	100,000	239,987	400,000	231,228	4,790,000	1,704,800
2011	9,245,000	23,709,491	36,615,000	4,222,399	75,000	236,149	400,000	218,160	5,025,000	1,513,200
2012	11,570,000	23,205,177	41,505,000	1,471,352	100,000	231,671	425,000	209,090	5,155,000	1,312,200
2013	14,100,000	22,501,345	13,160,377	32,059,623	75,000	227,833	450,000	191,695	5,475,000	1,106,000
2014	16,950,000	21,778,798	12,791,883	34,788,117	50,000	225,182	450,000	178,239	5,585,000	887,000
2015	20,020,000	20,665,510	12,401,627	37,653,373	75,000	221,892	475,000	164,151	5,950,000	607,750
2016	23,355,000	19,467,434	12,035,880	40,619,120	50,000	219,242	475,000	149,181	6,205,000	310,250
2017	27,025,000	18,051,697	11,673,496	43,711,504	25,000	217,140	525,000	135,774		
2018	38,740,000	16,352,897	11,361,080	46,888,920	550,000	204,163	525,000	117,268		
2019	33,785,000	14,184,562	11,054,980	50,205,020	575,000	176,234	550,000	100,487		
2020	42,075,000	12,263,110	10,753,631	53,666,369	625,000	147,208	550,000	83,595		
2021	47,425,000	9,792,276	10,507,053	57,227,947	650,000	117,320	600,000	65,446		
2022	53,125,000	7,085,305	9,790,585	58,119,415	675,000	86,209	600,000	47,760		
2023	59,175,000	4,126,258	-	-	725,000	55,173	625,000	29,068		
2024	47,750,000	876,718	-	-	750,000	15,079	650,000	8,481		
2025	-	-	-	-	-	-	-	-		
2026	-	-	-	-	-	-	-	-		
2027	-	-	-	-	-	-	-	-		
2028	-	-	-	-	-	-	-	-		
2029	-	-	-	-	-	-	-	-		
	459,930,000	287,200,374	278,495,591	486,458,607	5,325,000	3,115,627	8,475,000	2,427,681	47,270,000	11,366,938

(1) Debt schedules for variable rate issues are based on the average interest rate at the time of issuance and do not reflect amounts budgeted for the 2007-08 fiscal year.

(2) West Valley Detention Center

Budget Information:

The 1995 and 2004 Pension Obligation Bonds are budgeted as salary expense in individual departmental budgets

Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book, under County Administrative Office, Joint Powers Leases (General Fund)



County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Certificates of Participation								Total Outstanding General Fund Debt	Fiscal Year Ending June 30
2001/02		1997		1996		1996			
WVDC Refunding ⁽²⁾		Public Imp. Financing		Govt Center Refinancing ⁽¹⁾		WVDC Refinancing ^{(1) (2)}			
\$94,920,000		\$17,790,000		\$39,600,000		\$9,200,000			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
5,305,000	3,769,983	790,000	630,895	2,100,000	781,335	300,000	260,640	84,434,128	2008
5,495,000	3,565,658	825,000	592,530	2,200,000	685,305	300,000	249,780	87,839,390	2009
5,720,000	3,331,020	870,000	551,415	2,300,000	584,910	300,000	238,920	91,344,071	2010
5,970,000	3,073,020	910,000	507,350	2,400,000	480,150	300,000	228,060	95,127,978	2011
6,225,000	2,805,270	460,000	473,100	2,500,000	371,025	300,000	217,200	98,536,086	2012
6,490,000	2,526,945	485,000	449,475	2,600,000	257,535	300,000	206,340	102,662,168	2013
6,800,000	2,220,884	505,000	424,725	2,700,000	139,680	300,000	195,480	106,969,987	2014
7,145,000	1,862,341	535,000	398,725	2,700,000	21,825	400,000	182,207	111,479,401	2015
7,510,000	1,484,761	560,000	370,650	2,600,000	-	400,000	167,727	115,979,245	2016
7,900,000	1,087,081	590,000	340,463	-	-	400,000	153,247	111,835,401	2017
8,305,000	668,031	620,000	308,700	-	-	400,000	138,767	125,179,826	2018
8,735,000	226,531	655,000	275,231	-	-	400,000	124,287	121,047,332	2019
-	-	600,000	242,288	-	-	400,000	109,807	121,516,008	2020
-	-	630,000	210,000	-	-	400,000	95,327	127,720,369	2021
-	-	665,000	176,006	-	-	500,000	78,433	130,948,714	2022
-	-	695,000	140,306	-	-	500,000	60,333	66,131,139	2023
-	-	735,000	102,769	-	-	500,000	42,233	51,430,280	2024
-	-	775,000	63,131	-	-	500,000	24,133	1,362,265	2025
-	-	815,000	21,394	-	-	500,000	6,033	1,342,427	2026
-	-	-	-	-	-	-	-	-	2027
-	-	-	-	-	-	-	-	-	2028
-	-	-	-	-	-	-	-	-	2029
81,600,000	26,621,525	12,720,000	6,279,153	22,100,000	3,321,765	7,400,000	2,778,953	1,752,886,213	



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Fiscal Year Ending June 30	Certificates of Participation							
	2003 Solid Waste		County Medical Center		County Medical Center		County Medical Center	
	Series B Auction Rate ⁽¹⁾		Series 1998		Series 1997		Series 1996	
	\$93,875,000		\$176,510,000		\$121,095,000		\$65,070,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	5,750,000	3,351,936	-	7,394,886	15,605,000	1,204,860	-	3,261,488
2009	6,050,000	3,071,956	1,000,000	7,373,939	16,410,000	402,045	60,000	3,259,913
2010	6,375,000	2,777,067	1,100,000	7,329,949	-	-	325,000	3,249,806
2011	6,725,000	2,465,875	1,200,000	7,281,770	-	-	340,000	3,232,350
2012	7,100,000	2,138,259	9,200,000	7,063,916	-	-	360,000	3,213,975
2013	7,475,000	1,792,371	9,600,000	6,670,103	-	-	380,000	3,194,550
2014	7,900,000	1,427,031	10,000,000	6,259,532	-	-	400,000	3,174,075
2015	8,325,000	1,041,605	10,500,000	5,830,108	-	-	420,000	3,152,550
2016	8,775,000	636,331	10,900,000	5,381,832	-	-	445,000	3,129,844
2017	9,250,000	209,525	6,400,000	5,019,440	-	-	465,000	3,105,956
2018	-	-	6,700,000	4,745,028	-	-	490,000	3,081,500
2019	-	-	8,700,000	4,422,436	-	-	515,000	3,056,375
2020	-	-	9,100,000	4,049,571	-	-	545,000	3,029,875
2021	-	-	7,500,000	3,701,842	-	-	570,000	3,002,000
2022	-	-	8,100,000	3,375,061	-	-	600,000	2,972,750
2023	-	-	8,400,000	3,029,427	-	-	630,000	2,942,000
2024	-	-	16,200,000	2,514,119	-	-	665,000	2,909,625
2025	-	-	16,900,000	1,820,757	-	-	695,000	2,875,625
2026	-	-	20,200,000	1,043,604	-	-	735,000	2,839,875
2027	-	-	14,810,000	310,232	-	-	7,120,000	2,643,500
2028	-	-	-	-	-	-	24,030,000	1,864,750
2029	-	-	-	-	-	-	25,280,000	632,000
	<u>73,725,000</u>	<u>18,911,955</u>	<u>176,510,000</u>	<u>94,617,553</u>	<u>32,015,000</u>	<u>1,606,905</u>	<u>65,070,000</u>	<u>63,824,381</u>

(1) Debt schedules for variable rate issues are based on the average interest rate at the time of issuance and do not reflect amounts budgeted for the 2007-08 fiscal year.

Budget Information:

The 2003B Solid Waste Certificates of Participation are budgeted in the Public And Support Services Group section of this budget book, in the Solid Waste Management Division Operations Enterprise Fund

The 1994, 1995, 1996, 1997 and 1998 Medical Center Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book under County Administrative Office, Medical Center Lease Payments (Medical Center Enterprise Fund)



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Certificates of Participation				Total Outstanding Enterprise Fund Debt	Fiscal Year Ending June 30
County Medical Center		County Medical Center			
Series 1995 \$147,565,000		Series 1994 \$213,605,000			
Principal	Interest	Principal	Interest		
8,485,000	6,586,244	3,090,000	9,799,200	64,528,613	2008
9,045,000	6,025,725	3,280,000	9,608,100	65,586,677	2009
9,705,000	5,369,475	3,480,000	9,405,300	49,116,597	2010
10,525,000	4,661,425	3,570,000	9,202,725	49,204,145	2011
3,245,000	4,187,588	3,775,000	9,000,738	49,284,474	2012
3,465,000	3,969,513	3,990,000	8,787,200	49,323,737	2013
3,705,000	3,736,488	4,205,000	8,561,838	49,368,963	2014
3,955,000	3,487,538	4,445,000	8,323,963	49,480,763	2015
4,225,000	3,221,688	4,695,000	8,072,613	49,482,307	2016
9,545,000	2,799,363	4,965,000	7,806,963	49,566,247	2017
10,140,000	2,211,425	5,235,000	7,526,463	40,129,415	2018
7,150,000	1,711,875	7,465,000	7,177,213	40,197,899	2019
7,560,000	1,307,350	7,880,000	6,755,225	40,227,021	2020
6,180,000	929,500	12,180,000	6,112,225	40,175,567	2021
6,720,000	574,750	12,570,000	5,340,250	40,252,811	2022
7,090,000	194,975	13,290,000	4,629,100	40,205,502	2023
-	-	14,090,000	3,876,150	40,254,894	2024
-	-	14,890,000	3,079,200	40,260,582	2025
-	-	13,060,000	2,343,225	40,221,704	2026
-	-	13,725,000	1,673,600	40,282,332	2027
-	-	13,675,000	1,005,694	40,575,444	2028
-	-	14,335,000	340,456	40,587,456	2029
110,740,000	50,974,919	181,890,000	138,427,438	1,008,313,151	



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively effect current or future operations of the county. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

The county is currently contemplating the issuance of additional Certificates of Participation to fund the expansion of the Adelanto Adult Detention Facility, and construction and improvements related to the implementation of a master space plan. The 2007-08 budget allocates ongoing (annual) financing sources of \$7.0 million for future debt service for the expansion of jail facilities and \$20.0 million for future debt service related to the implementation of the county's master space plan.

OTHER LONG-TERM OBLIGATION

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the Library budget, found in the Public and Support Services Group section of this budget book, in the Library Special Revenue Fund budget. The outstanding principal amount of this note as of June 30, 2006, the last date for which audited information is available, was \$1,808,712. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The county's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2006, the last date for which audited information on outstanding debt is currently available, the county's Debt limit and legal debt margin were calculated as follows:

Fiscal Year	(1) Assessed Valuation	(1) Legal Debt Limit	(1) Bonded Debt	(1) Legal Debt Margin
2005-06	128,895,877	1,611,198	1,930	1,609,268

(1) Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2006

The county general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of Special Districts and therefore is budgeted in a separate budget document.



SUMMARY OF RELATED LAWS, POLICIES, AND PROCEDURES

CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the state Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing".

COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.023:

The Administrative Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.026:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Administrative Officer shall supervise the preparation of the annual County Budget. In the performance of this duty the Administrative Officer shall review all departmental and agency requests and all items in the proposed budget, including revenues, expenditures and reserves. The Administrative Officer shall submit his recommendation on the proposed budget to the Board of Supervisors.

BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include; principal and interest on long-term debt is recognized when due, prepaid expenses are reported as current period expenditures rather than allocated and accumulated unpaid vacation, sick leave and other employee benefits are reported in the period due and payable, rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

BASIS OF BUDGETING

Governmental Funds:

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in that budget book. For GAAP purposes, in the fund financial statements of the CAFR, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities. Appropriations for these encumbrance commitments survive the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

COUNTY BUDGET AND FINANCE POLICIES

When building the 2007-08 budget, the County Administrative Office adhered to the County's four financing policies. Three of the policies have been recently amended, and approved by the Board of Supervisors on February 13, 2007, to better represent the county's current budget practice. A brief summary of the policies are presented below:

- 1) the **budget financing policy**, which states that one-time funds shall not be used to finance ongoing operational costs except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. This policy has also been amended to set-aside ongoing contingencies for future debt obligations or planned future ongoing program/operational needs;
- 2) the **reserve and contingency policy**, which maintains an ongoing general purpose reserve equal to 10% of locally funded appropriation, coupled with an appropriated contingency fund equal to 1.5% of locally funded appropriation for the general fund. This policy has been amended to include maintaining contingencies for the restricted financing funds (Prop 172 and Realignment), as well as the Master Settlement Agreement fund. These contingencies are targeted at not less than 10% of the current year's budgeted revenue for the restricted financing funds and the Master Settlement Agreement fund. This policy has also been amended to allow a specific purpose reserve to be established and augmented using the respective department's annual local cost savings for large departmental projects.
- 3) the **debt policy**, which calls for the prudent management of liabilities, and wherever possible, the pursuit of alternative sources of funding in order to minimize the level of debt;
- 4) the **capital budget policy**, which ensures that the County maintains its public infrastructure in the most cost efficient manner. This policy has been amended to update requirements for the approval process for capital project proposals specifically requiring the source of funding being identified for future staffing, operational, maintenance, and utility costs;



Detailed descriptions of each of these County financing policies are presented on the following pages.



Budget Financing Policy

The objective of the Budget Financing Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability.

Balanced Budget

The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. Total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves, unless it is within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of one-time funding sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors.

Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for general fund programs based on current service levels and expected future changes to those programs or service levels. The County will project major revenues and expenditures of the general fund, and report significant findings and recommendations to the Board of Supervisors.

Use of one-time funding sources

The appropriation of carryover fund balances and other one-time funding sources must be managed with care. Carry-over fund balance is most appropriately used to fund one-time expenses such as capital expenditures or start-up costs for new programs. Other types of one-time funding sources may also be used to fund one-time costs, or to supplement reserves. It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

Ongoing Set-Asides

Ongoing set-asides represent ongoing sources of financing that have been targeted for future debt obligations or planned for future ongoing program/operational needs. Set-asides are appropriated as contingencies and approved during the formal adoption of the budget. Any balance of such contingency set-asides remaining at the end of the fiscal year shall be transferred into a corresponding general fund reserve account as of June 30. An agenda item is submitted annually for Board approval of such transfers.

Revenue Forecasting

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. Especially in regard to those revenues which tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors which might impact those revenues. These unpredictable revenues, including interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

Fees

The County will review and adjust fees for service, as necessary, and adopt them as part of the annual budget process. In most cases, departmental fees should fully recover the costs of providing the service, including identified indirect or overhead costs.

Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County will develop a program to integrate performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

Grant Funding

The County will aggressively pursue opportunities for federal or state grant funding. An aggressive policy to pursuing opportunities for federal or state grants provides citizens with the assurance that the county is



striving to obtain all state and federal funds to which it is entitled – thereby reducing dependence on local taxpayers' funds.



Reserve and Contingency Policy

The objective of the Reserve and Contingency Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events which might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability.

General Fund – Reserves and Contingencies

The maintenance of an adequate operating reserve is essential to the financial strength and flexibility of the County, and operating reserves are considered an integral part of the County's financial structure. Such reserves and designations are considered to be those that have no identified contingent liability or specific future use. The County shall establish a general purpose reserve for the general fund targeted at 10% of locally funded appropriation.

The County will also maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations which could not have been reasonably anticipated at the time the budget was prepared. The County shall place in contingencies no less than 1.5% of locally funded appropriation.

Restricted Financing Fund – Prop 172 – Contingencies

Restricted Proposition 172 revenues are used solely for public safety programs. The County has allocated using the funds solely for the financing of the Sheriff, District Attorney, and Probation departmental programs. The County will maintain an appropriated contingency to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this restricted financing stream which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Prop 172 funds shall be targeted at no less than 10% of the current year's budgeted Prop 172 revenue. Said contingencies shall be budgeted at the 10% level separately for each department receiving Prop 172 revenues.

Restricted Financing Funds – Realignment – Contingencies

Restricted Realignment funds are used in the financing of mental health, social services and health programs within the county. The County will maintain an appropriated contingency within these funds to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting these restricted financing funds which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Realignment funds shall be targeted at no less than 10% of the current year's budgeted Realignment revenues. Said contingencies shall be budgeted at the 10% level separately for each program receiving Realignment revenues.

Master Settlement Agreement Fund – Contingencies

Master Settlement Agreement funds are used to finance health related expenditures. The County will maintain an appropriated contingency within the Master Settlement Agreement fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this fund which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency within this Master Settlement Agreement Fund shall be targeted at no less than 10% of the current year's budgeted Master Settlement Agreement revenues.

Specific Project Reserves

The County will fund specific project reserves for large departmental projects through the use of the respective department's local cost savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period. In order to establish a specific project reserve, departments must submit the proposed project to the County Administrative Office for consideration. A thorough review of the proposed project and a complete analysis of the estimated local cost savings will be performed by the County Administrative Office prior to recommendation of the project to the Board of Supervisors. Upon approval of the project by the Board of Supervisors, departmental savings will be reserved as deemed necessary by the County Administrative Office for funding of the specific project at fiscal year end. Each fiscal year thereafter, this process will continue until the specific project is completed.



Debt Policy

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, as well as to maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance on-going operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and /or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.

Management

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond / certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.



Capital Budget Policy

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. The plan for funding projected staffing, operation and maintenance, and utility costs must be identified as part of the approval process for each capital project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board. All re-budgeted capital projects will be so noted in the Adopted Capital Budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs.